Bank Supervision Report
2010

Bank Supervision Department
Nepal Rastra Bank
Baluwatar, Kathmandu, Nepal

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NEPAL RASTRA BANK

BANK SUPERVISION REPORT-2010

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

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Executive Director's Pen

Dear valued readers,

It gives me immense pleasure to present before you the annual series of bank supervision report for the year 2010. This report covers the various aspects of the Nepalese banking industry with a glimpse of the financial system of Nepal. It also incorporates the activities of the Bank Supervision Department during the fiscal year 2009/10 with an aim to benefit the readers by providing information on Nepalese banking industry and supervisory functions of Nepal Rastra Bank as the apex body of banking supervision in Nepal. Further, it also attempts to cover the trends being observed in the Nepalese banking industry and challenges being posed to NRB in due course of banking regulations and supervision.

The overall performance of the banking industry during the period has remained satisfactory to the large extent. The capital adequacy of the banks has improved significantly and now only two banks i.e., NBL and RBB are to reach to the minimum level. Similarly, assets quality of the banks has also improved and non-performing loan (NPL) is declined to 2.68 percent.

The number of banks and financial institutions in the country is rising which has intensified the level of competition in the local market. The increasing complexity of the banking business due to harsh competition, service proliferation, intense use of information technology, service diversification with new markets, increasing banking habits of the public coupled with growing supervisory concern have brought about a paradigm shift in Nepalese banking. With this sophistication, risk exposure of the overall banking industry has augmented which necessitates the banks to come up with sound risk management practices. Risk management in modern banking has gained a momentum due to the high degree of bank failures worldwide. The set backs of global financial crisis have not yet been over and still many economies worldwide are paying high cost for it. Keeping that in mind, Nepal Rastra Bank has already introduced Risk Management Guidelines to commercial banks and instructed them to develop and implement risk management practices in their business effectively.

In the last two decades, we have witnessed dramatic changes in banking practices along with banking regulation and supervision. Globally, there have been more banking crises in the last two decades than ever before and their consequences have been far-reaching. Nepal Rastra Bank as the supervisor of the banks and financial institutions is also facing the challenges of maintaining financial stability in the country. Effective implementation of New Capital Adequacy Framework and moving towards more sophisticated approaches are one of the prime concerns these days. Similarly, Reforms of government owned banks and providing level playing field to all commercial banks with an assurance of equal treatment is another dilemma before NRB. Strengthening supervisory capacity commensurate with increasing number of BFIs and moving towards Risk Based Supervision in the context of increasing risks and tight supervisory resources is again a big challenge. Similarly, encouraging banks for self-regulation and making them adequately sensitive towards risk is equally important in this context. In the same way, increasing consumer credit, personal loans and multiple banking issues, difficulty in defining big borrowers are some challenges that are hindering prudent lending practices in the country. Again, lack of co-ordination among various economic sectors, lack of rating agency and ensuring strong corporate governance in the banking sector are some of the issues to be resolved for the sustained the development of the Nepalese financial system.

Recently, Bank Supervision Department has set planned activities to be accomplished in five years period and also proposed them to be incorporated in NRB’s Five Year Strategic Plan 2011-2015. As a part of the plan, BSD has initiated to move towards Risk Based Supervision from its Compliance based supervision approach. As the banking of Nepal has already become sophisticated and complex, it has become imperative to utilize the supervisory resources in a most efficient manner possible concentrating on the major risks that may produce systemic impact. Similarly, adopting advanced approaches of Basel II and complying with the Basel Core Principles over the period is next major task to be performed. After global financial crisis it has become a prominent issue that the banking regulations should be formulated with consideration of the relationship between macroeconomic variables and banking parameters. Considering that NRB has also thought of commencing designing macro prudential supervisory framework that sets interconnectivity between these variables. Not only that but also the NRB has added in the plan the modality publishing financial stability report of the country. In the process to incorporate relevant best practices in our supervisory approach, the workout on forward-looking analysis has been done. The development of Liquidity Monitoring Framework and Stress Testing Techniques by the department is in final stage. Taking into account the growing sophistication in the banking industry and increasing problems appeared in individual bank, Problem Bank Resolution Framework is in the finalization process and necessary amendments in the existing policies are being made.

Finally, I would like to thank the staffs of Bank Supervision Department for working meticulously for accomplishing supervisory objectives effectively. Similarly, I also appreciate the cooperation of commercial banks, public and other stakeholders in enhancing the credibility of central bank and achieving the supervisory goals. Last but not the least; I would like to thank my friends of Policy Planning Unit for their endeavor in preparing this report for publication.

Lok Bahadur Khadka
Executive Director
Bank Supervision Department

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Nepalese Banking Industry

1.1 Introduction

Maintaining financial sector stability has become the prime challenge to bank regulators and supervisors throughout the world in the recent years. A strong and sound financial system promotes economic growth, efficiently mobilizes and allocates resources, makes capital more productive and creates employment opportunities. It reduces vulnerability to financial crisis and defrays the economic and social costs that accompany financial disruption. In principle, deeper and more advanced financial system should provide a number of social benefits, including better risk hedging and risk diversification that renders economy less vulnerable to economic shocks.

Nepalese financial system has witnessed a rapid growth both vertically and horizontally in last two decades. Increasing number of banks and financial institutions, their deposits, credits and total assets and other indicators have proved this fact. However, the efficiency of a financial system typically depends on several key factors, including its degree of integration, market competition, level of development and innovation capacity. Nepalese financial system has experienced many changes in the past few years such as arrival of new financial products, modern technology and new market participants. While service proliferations and innovative ideas have undoubtedly demand better risk-management practices, they have also led challenges to Nepal Rastra Bank (NRB) in ensuring systemic stability through financial regulation and supervision. Moreover, due to a rapid growth in the number of various banking and non-banking financial institutions with different modes of operations, the task of ensuring effective surveillance and control by the NRB has become much more complex.

Risk Management is an inevitable component of successful banking. Due to its complex characteristics, the success of banks depends largely on its prudent decisions adequately backed up with security, privacy, and reliability of services with sound operational practices. These strategies can be implemented by integrating effective bank-level management, operational supervision and market discipline. It is also imperative for the banks to update their risk management practices in accordance with NRB regulations and sound international practices.

The trend of commercial banking is changing rapidly. Competition is getting stiffer and, therefore, banks need to enhance their competitiveness and efficiency by improving profitability, service quality, customer responsiveness and public accountability. Similarly, the banks also need to adopt the prudent banking practices with a conscience of self regulation for achieving banking efficiency, reducing overall risks and ensuring the safety of public deposits. They should also encourage healthy competition and avoid imprudent practices to remain safe and sound in the long run. They should understand the volatile nature of banking business and work collectively onto the direction of uplifting the public confidence towards banking system.

The dynamism of the global financial environment requires Nepalese banks and financial institutions to support their operations with more robust tools and skills in order to mitigate risks arising from the rapid development of the financial sector. In the changing financial landscape, with advanced information/communication technology, the banks should adopt adequate risk management practices and promote self-regulated internal environment. Effective risk management has always been central to safe and sound banking activities for two main reasons. First, new technologies, product innovation, size and speed of financial transactions have changed the nature of banking. Second, there is a need to comply fully with the Basel Core Principles on Banking Supervision and to prepare an enabling environment for the implementation of the New Capital Adequacy Framework (Updated in July 2008).

Supervisory assessments based on CAMELS (Capital, Asset quality, Management, Earning, Liquidity and Sensitivity to market risk) rating, compliance of prudential norms, gradual implementation of Basel core principles and enhancement in disclosure standards have more closely aligned the Nepalese banking system to international best practices. Moreover, adoption of various emerging international supervisory practices in a phase wise basis has been integrating the Nepalese banking with the global banking practices. However, with the increasing sophistication in the banking industry, compliance based supervision approach appears inadequate. The current transaction and compliance based approach to banking supervision in Nepal, is largely reactive, narrow in scope and uniformly applied to all financial institutions to be supervised. It is largely on-site driven, but complemented by off-site monitoring. The average cycle of inspection, of once a year, is the same for all institutions regardless of their perceived risks. It does not provide clear yardsticks for risk assessment and allocation of resources in the supervisory processes. In this background supervisory approach and techniques stipulate the need for prioritizing the supervisory work based on the results of assessment of risks to which individual banks or banking groups are exposed. Therefore, NRB is planning to move towards Risk Based Supervision on which supervisory resources are allocated towards more risk sensitive areas in the most efficient and productive manner possible.

Several empirical evidences show that countries with more credit extended to the private sector experienced stronger economic growth. In this sense, country's financial sector depends on its capability to develop institutions and financial instruments that can support economic growth. At this juncture, the NRB's challenge is to build up a financial system that is supportive to growth, and dynamic enough to change and fulfill the evolving demand of the economy.

The NRB, as the apex body of banking system in Nepal, has been trying to ensure a healthy and efficient financial sector by improving regulation at par with international standard. As such, the implementation of the New Capital Adequacy Framework in Nepalese commercial banks has remained effective in terms of ensuring adequate level of capital in banking sector and almost all banks have developed reporting system. Similarly, the supervisory focus of the NRB in the latter days is on ensuring prudent banking practices in a self-regulated environment with more sensitivity towards various risks of the banking sector.

The number of banks and financial institutions licensed by Nepal Rastra Bank has increased tremendously in last few years. Table 2.1 below depicts the number of banks and financial institutions in Nepal.

Table 2.1: Number of Bank and Financial Institutions licensed by NRB (mid-July 2010)

S.N.	Type of financial Institutions	Class	2008	2009	2010
1	Commercial Banks	A	25	26	27
2	Development Banks	B	58	63	79
3	Finance Companies	C	78	77	79
4	Micro Finance Development Banks	D	12	15	18
5	Saving and Credit Co-operatives	Non-classified	16	16	15
6	Non-Government Organizations	Non-classified	46	45	45
	Total		**235**	**242**	**263**

(Source: Bank and Financial Institutions Regulation Department, Nepal Rastra Bank)

1.2 Nepal Rastra Bank as a regulator and supervisor

As a regulator, Nepal Rastra Bank has been enacting various policies, directives and circulars in line with international standards with necessary customizations considering local needs. As a supervisor, it supervises on the activities of the banks and financial institutions based on existing legal framework and policy sources. There are three departments, namely, Bank Supervision Department, Financial Institutions Supervision Department and Micro Finance Promotion and Supervision Department, established for the purpose of supervising the activities of the concerned bank and financial institutions. The supervision departments basically watch over the compliance status of concerned laws, regulations and directives. As the NRB Act, 2002, empowered, it acts as an autonomous institution to conduct regulatory and supervisory activities in the banking industry of Nepal.

The following table presents the total assets of banks and financial institutions licensed by Nepal Rastra Bank and their respective shares as of Mid July of three previous years.

Table 1.2: Share of banks and financial institutions on Total Assets (Rs. in billion)

Bank and Financial Institutions	**2008**		**2009**		**2010**	
	Total Assets	**% Share**	**Total assets**	**% share**	**Total assets**	**% share**
Commercial Banks	566	80.2	812	82.1	787	76.2
Development Banks	40	5.6	68	6.9	109	10.5
Finance Companies	80	11.4	**87**	8.8	115	11.2
Micro Finance Development Banks	13	1.8	16	1.6	14	1.4
Bank and Financial Institutions	**2008**		**2009**		**2010**	
	Total Assets	**% Share**	**Total assets**	**% share**	**Total assets**	**% share**
Other (Co-operatives and NGOS-NRB Licensed)	7	1.0	6	0.6	7	0.7
Total	**706**	**100**	**989**	**100**	**1033**	**100**

(Source: Nepal Rastra Bank, Research Department (mid-July 2010))

The table above shows that commercial banks are the dominant players of the Nepalese financial system. The share of financial institutions' assets in total seemed low. However, it is increased in the review year compared to the previous year. The share of commercial banks' assets in total assets came down to 76.2 percent from 82.1 percent last year. In 2010, the total asset of the banks and financial institutions licensed by Nepal Rastra Bank increased to Rs. 1033 billion. It was Rs. 989 billion in previous year. The share of development banks and finance companies in total assets stood at 10.52 percent and 11.18 percent respectively, which were 6.9 percent and 8.8 percent in the previous year.

1.3 The Commercial Banking

Nepal Bank Limited, 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. Similarly, another commercial bank, Rastriya Banijya Bank (RBB) was established on 23 January 1966 with full government ownership. In the early 1970s, NRB encouraged both NBL and RBB 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 banks on their losses on any new branches for three years of their operations. In 1975, NRB achieved its target of having at least one branch of commercial bank in each district head quarter.

As at mid July 2010, the number of commercial banks in Nepal were twenty-seven. The public sector banks, which are three in numbers and have large branch networks throughout the country, have still got substantial share in the total assets of the industry. Adopting the economic liberalization in the country in early 1990s, there has been tremendous growth in the number of private sector banks. The share of these banks on total deposits, loans, and total assets has been increasing gradually. The banks are becoming efficient in terms of capital, technologies, products and services and overall management. The competition in the market is getting tougher as the number of these institutions is increasing rapidly and the market size being the same. Therefore, it is felt necessary to strengthen their capacity in terms of product innovation, service delivery and public accountability. The banks should work together for raising public confidence and becoming competitive enough to retain the customers and mobilize the resources from non-banking sector to banking sector. Adequate public disclosure has become the worldwide issue and banks should properly manage varied banking risks with an assurance of safety and soundness in their operations and thereto on public deposit. Nepalese banks cannot be exception.

Table 1.3: List of Commercial Banks in Nepal (mid July, 2010)

S.N.	Name	Operation Date (A.D.)	Head Office
1	Nepal Bank Limited (NBL)	1937/11/15	Kathmandu
2	Rastriya Banijya Bank (RBB)	1966/01/23	Kathmandu
3	NABIL Bank Limited (NABIL)	1984/07/16	Kathmandu
4	Nepal Investment Bank Limited (NIBL)	1986/02/27	Kathmandu
5	Standard Chartered Bank Nepal Ltd. (SCBN)	1987/01/30	Kathmandu
6	Himalayan Bank Limited (HBL)	1993/01/18	Kathmandu
7	Nepal SBI Bank Limited (NSBI)	1993/07/07	Kathmandu
8	Nepal Bangladesh Bank Limited (NBBL)	1993/06/05	Kathmandu
9	Everest Bank Limited (EBL)	1994/10/18	Kathmandu
10	Bank of Kathmandu Limited (BOK)	1995/03/12	Kathmandu
11	Nepal Credit and Commerce Bank Ltd. (NCCBL)	1996/10/14	Siddharthanagar
12	Lumbini Bank Limited (LBL)	1998/07/17	Narayangadh
13	Nepal Industrial & Commercial Bank Ltd. (NIC)	1998/07/21	Biratnagar
14	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 Nepal (ADBL)	2006/03/16	Kathmandu
19	Global Bank Limited (GBL)	2007/01/02	Birgunj
20	Citizens Bank International Limited (CBIL)	2007/06/-21	Kathmandu

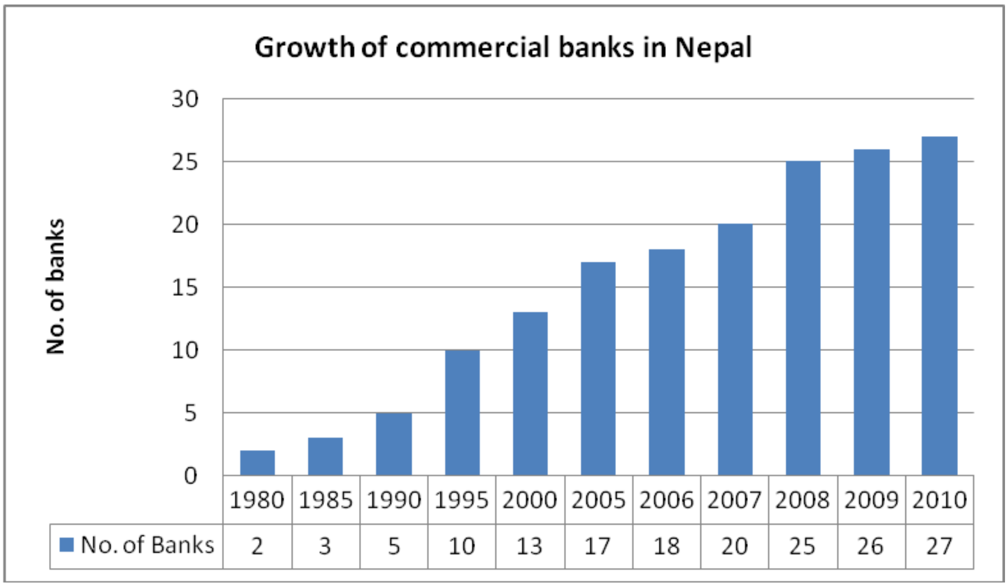
21	Prime Commercial Bank Limited (PCBL)	2007/09/24	Kathmandu
22	Sunrise Bank Limited (SRBL)	2007/10/12	Kathmandu
23	Bank of Asia Nepal Limited (BOA)	2007/10/12	Kathmandu
24	DCBL Bank Limited (DCBL)	2008/05/25	Kathmandu
25	NMB Bank Limited (NMB)	2008/06/02	Kathmandu
26	Kist Bank Limited (Kist)	2009/05/07	Kathmandu
27	Janata Bank Nepal Limited (JBNL)	2010/04/05	Kathmandu

(Source: Bank and Financial Institutions Regulation Department, Nepal Rastra Bank)

1.4 Increase in number of commercial banks

Financial liberalization is as a part of economic liberalization in Nepal, the number of banks and financial institutions has increased substantially. As of mid July 2010, the number of commercial banks reached 27, which were 26 in the same date last year.

Chart No. 1: Number of Commercial Banks (mid July)



(Source: Bank and Financial Institutions Regulation Department, Nepal Rastra Bank)

1.5 Ownership and Control

On the basis of ownership, the commercial banks in Nepal can be categorized as public and private banks. As of mid July 2010 there are 3 Public Sector Banks and 24 Private Sector Banks. Rastriya Banijya Bank is the largest bank of Nepal in terms of deposit mobilization is fully owned by the government of Nepal. In Nepal Bank Limited, the Nepal Government owns 40 percent ownership. The Government of Nepal has owned 78.22 percent shares of Agriculture Development Bank that was initially established as a development bank and later on upgraded to commercial bank in 2006 mainly due to the structure of paid up capital. Moreover, Nepal Government invested Rs. 6.4 billion in irredeemable preference shares and Rs.2.3 billion in redeemable preference shares issued by Agriculture Development Bank.

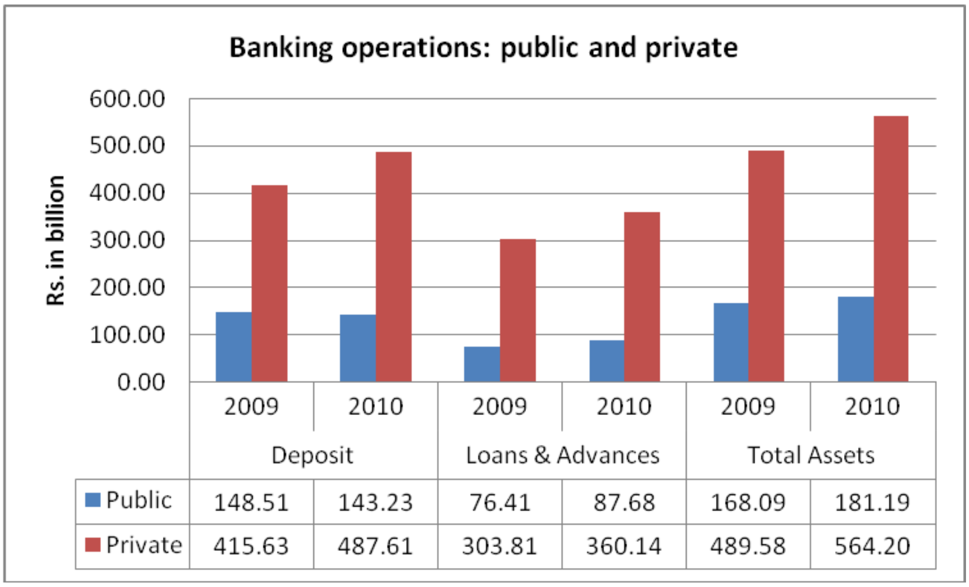
The financial health of the public banks was very poor and thus a reform program was initiated in these banks under the Financial Sector Reform Project with the aid of the World Bank and DEID.

The private sector banks in Nepal can be further re-grouped into the local private banks and foreign Joint-Venture Banks. The banks with the local private investment are Local Private Banks while the banks with joint investment of both foreign institutions and local investors are Joint-Venture Banks. As at mid July 2010, there were 7 private joint venture banks and 17 locally owned banks in Nepal.

1.6 Scope of operations: Public vs. Private

The public sector banks have still a sizable chunk of deposits, loans and advances and total assets of the banking industry. The number of their branches is also increasing despite the heavy increase in number of private banks. The total deposits of the banking industry increased by 11.8 percent to Rs. 630.83 billion in mid July 2010, compared to a deposit of Rs. 564.14 billion in the previous year. Similarly, the loans and advances of the banking industry increased by 17.78 percent to Rs. 447.82 billion compared to Rs. 380.22 billion previous year. The total assets of the banking industry in mid July 2010, increased by 13.3 percent to Rs. 745.32 billion compared to Rs. 657.67 billion last year. 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 presents the banking operations in terms of deposits, loans & advances and total assets of the banking industry with separation of public and private sector banks.

Chart No. 2: Banking Operations: Public vs. Private (mid July, 2010)



(Source: Bank and Financial Institutions Regulation Department, Nepal Rastra Bank (Mid-July 2010)

1.7 Access to Banking Services and Branch Network

The service networks of the banks are spread around the country with the rapid increase in number of private bank branches. Despite the rapid growth in number, their scope of operation is yet limited to urban and suburb areas and still a big chunk of population deprived from access to the banking services. However, in recent days banks have started exploring the market in distant parts of the country, which is indeed a good sign.

The total number of bank branches increased to 1137 in mid July 2010. It was 752 last year. Out of total 1137 branches, 455 branches were of 3 public sector banks and remaining 682 branches belonged to 24 private sector banks.

Table 1.4: Branches of Commercial Banks (Mid July 2010)

Name of Banks	2008	2009	2010
Nepal Bank Limited (NBL)	99	100	110
Rastriya Banijya Bank Limited (RBBL)	114	123	126
NABIL Bank Limited (NABIL)	26	32	36
Nepal Investment Bank Limited (NIBL)	19	31	41
Standard Chartered Bank Nepal Ltd. (SCBN)	13	13	15
Himalayan Bank Limited (HBL)	17	23	31
Nepal SBI Bank Limited (NSBI)	17	33	42
Nepal Bangladesh Bank Limited (NBBL)	17	17	17
Everest Bank Limited (EBL)	26	30	37
Bank of Kathmandu Limited (BOK)	22	30	37
Nepal Credit and Commerce Bank Ltd. (NCCBL)	17	17	17
Lumbini Bank Limited (LBL)	5	5	13
Nepal Industrial & Commercial Bank Ltd. (NIC)	16	21	26
Machhapuchchhre Bank Limited (MBL)	18	31	41
Kumari Bank Limited (KBL)	12	15	28
Laxmi Bank Limited (LXBL)	13	19	22
Siddhartha Bank Limited (SBL)	7	10	30
Agriculture Development Bank (ADBL)	65	86	232*
Global Bank Limited (GBL)	7	16	28
Citizens Bank International Limited (CtzBL)	9	10	33
Prime Commercial Bank Limited (PCBL)	1	8	17
Sunrise Bank Limited (SRBL)	6	21	48
Bank of Asia Nepal Limited (BOA)	5	21	29
DCBL Bank Limited (DCBL)	3	5	12
NMB Bank Limited (NMB)	1	9	15
Kist Bank Limited (Kist)	-	26	51
Janata Bank Nepal Limited (JBNL)	-	-	3
Total	**555**	**752**	**1137**

** Also includes branches with development banking functions.*

(Source: Bank and Financial Institutions Department, Nepal Rastra Bank (Mid-July 2010)

From the table above, it is clear that, the banks with the largest number of branches were public banks: Agriculture Development Bank, Rastriya Banijya Bank and Nepal Bank Limited seemed to have 232, 126 and 110 branches respectively. The number of branches of private banks is also increasing in the developing parts of the country to rip the benefits of the market outside the Kathmandu valley.

Large concentration of the branches is seen in Kathmandu. Most banks are waiting to expand their branches in Kathmandu, which is a major economic hub of Nepal. The districts with highest number of bank branches are Kathmandu, Kaski and Rupandehi.

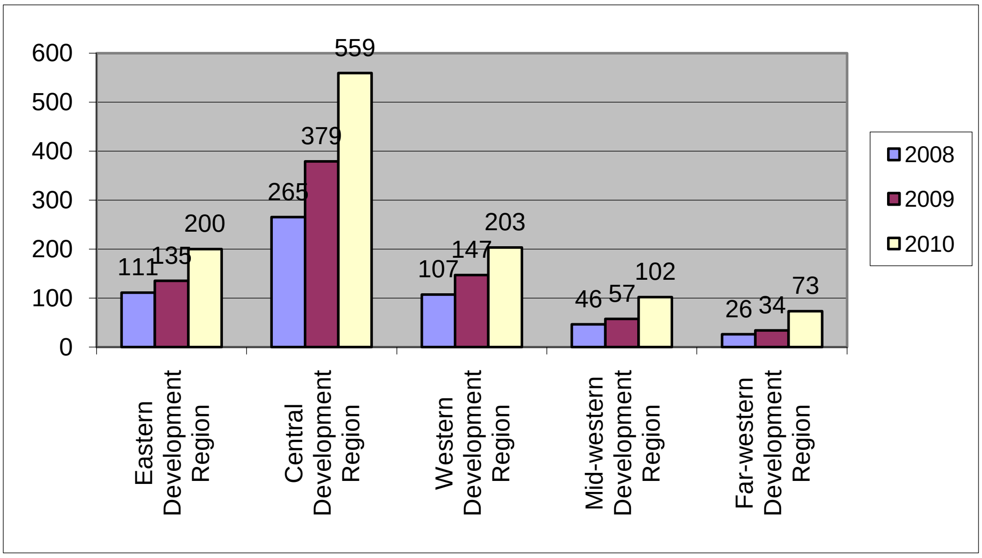
Table 1.5: Region wise distribution of Branches (mid July)

S. N.	Development Region	2008	2009	2010
1	Eastern Development Region	111	135	200
2	Central Development Region	265	379	559
3	Western Development Region	107	147	203
4	Mid-western Development Region	46	57	102
5	Far-western Development Region	26	34	73
	Total	**555**	**752**	**1137**

(Source: Bank and Financial Institutions Regulation Department, Nepal Rastra Bank (Mid-July 2010)

Similarly the development region with largest number of bank branches is Central Development Region with 559 bank branches followed by Western Development Region and Eastern Development Region with 203 and 200 branches respectively. The region with lowest number of bank branches is Far Western Development Region with 73 bank branches. The number of bank branches is presented in the picture below.

Chart No. 3: Number of Bank Branches (Region wise)

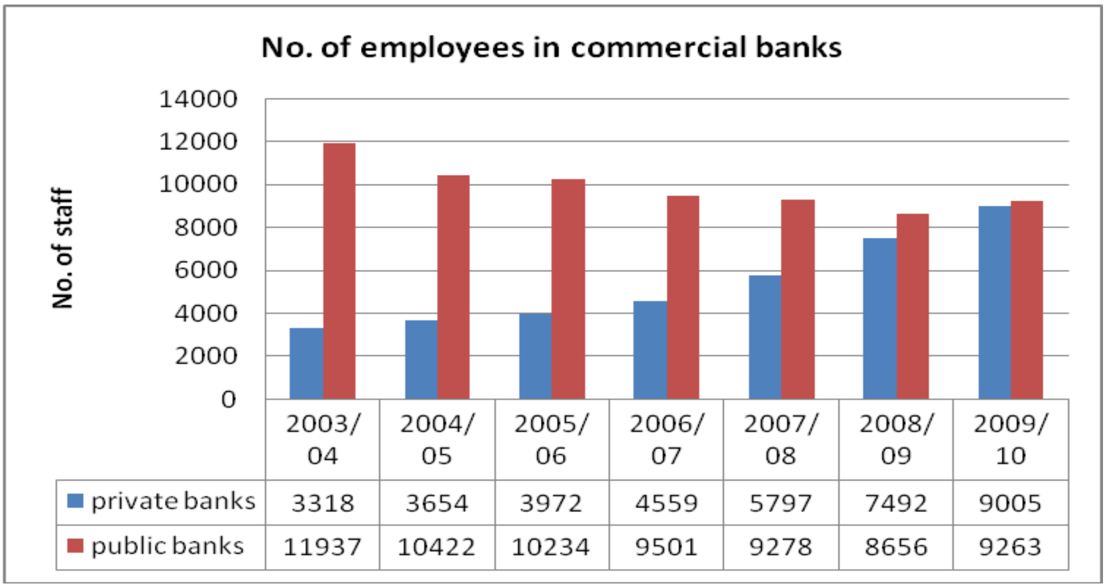


(Source: Bank and Financial Institutions Regulation Department (Mid-July 2010)

1.8 Employment in the Banking Industry

The total number of employees in commercial banks as at mid July 2010 was 18268. Since public sector banks are still lagging behind in making huge use of Information Technology and thus are based mostly on manual system, the number of staff in these banks is more than half (i.e. 9263) of the total staff of all commercial banks. The number of staff in public sector banks reduced tremendously since 2003/04 of almost 12000 to 9263 till July 2010. As at mid July 2010, the number of employees in the private sector banks was 9005, which was 7492 in mid July2009. The growth in the number of staff in private sector bank was due to the massive increment in their branches.

Chart No. 4: Employment Private Vs Public (mid July, 2010)



1.9 Review of the Banking Legislation

Nepal Rastra Bank is the apex body to regulate and supervise banks and financial institutions in Nepal. The prime responsibility of Nepal Rastra Bank is to strengthen and ensure the stability and soundness of the banking system in the country. Nepal Rastra Bank conducts Onsite inspection and Offsite supervision both on a regular need basis to supervise the activities of banks and testing their compliance status with the existing laws and regulations.

Nepal is gradually tending towards deregulated banking system. Therefore, the banks and financial institutions are provided with adequate level of freedom in their regular managerial and operational issues. However, it does not mean that they are allowed to exercise completely regulations free banking system. Of course, observing the market situations and the trends in the international supervisory practices, Nepal Rasta Bank makes necessary adjustment in the banking regulations. They are required to abide by the directives and circulars issued from time to time by Nepal Rastra Bank covering different aspects. The underlying philosophy is that banks should have discretion to offer the banking products and services in a competitive manner but they should comply with the minimum rules and regulations to protect the interest of the stakeholders. Pursuant to this, the objectives of bank supervision in Nepal are to promote and maintain the safety, soundness, and integrity of the Nepalese banking and financial system and boosting up public confidence towards this system through the implementation of appropriate policies of international standards. To achieve such objectives Nepal Rastra Bank has issued a number of regulations and prudential norms that have to be complied with by banking institutions. Such regulations are designed for bank and financial institutions to limit excessive risk taking to manageable levels.

The NRB while issuing the regulations for banking sector from time to time, takes strong references of the following documents or sources:

- Nepal Rastra Bank Act, 2002 (2058)
- Bank and Financial Institutions Act, 2006 (2063)
- Company Act, 2006 (2063)
- Supervision By-laws, 2002(2059)
- Unified Directives to licensed institutions
- New Capital Adequacy Framework, 2007 (Updated 2008)
- Monetary Policy
- International best practices in banking

CHAPTER 2
Supervision Function

2.1 Banks and Supervision

Banks play crucial role in the economy. They are the special institutions in the financial market, which channelize the resources from surplus sector to the deficits sector of the economy. In this process, banks collect huge volume of resources from general public. In mobilizing resources from surplus to deficit sectors they operate with high leverage ratio. This inherent imbalance between 'own' funds and 'borrowed' funds in total capital structure is a peculiar feature of banking institution that ultimately arises concern by supervisory authority. Banks' shareholders have only a small amount of their own funds at stake. Therefore, there is an underlying incentive for banks to tend toward risk taking activities with the fund of depositors and outsiders. Therefore, supervision is necessary to protect the interest of depositors and other stakeholders. In the absence of close supervision of banks, there may be a chance of arising shareholders' position "if head, I win, if tail, you lose". Banks are an important source of liquidity for an economy. They serve as financial intermediaries to allocate funds and risks among individuals and firms by extending loans or buying securities with funds that they receive as deposits. A bank failure may have an adverse impact in the financial system, which can interfere the operation of the payments system as well as it could impact on overall economy. The contagion effects of a bank failure can have a huge systemic impact.

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

Some of the major validations behind bank supervision are:

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

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

2.2 The Bank Supervision Department (BSD)

The Bank Supervision Department of Nepal Rastra Bank performs the banking supervisory functions. The department is responsible for carrying out inspection and supervision of all the commercial banks. Following units performs the function of the department:

- On-site Inspection and Enforcement
- Off-site Supervision
- Policy Planning and Analysis and;
- Internal Administration.

2.3 Methodology used for Supervision

Bank Supervision Department has been following the international supervisory practices along with tailor-made Nepalese relevant laws while supervising the commercial banks. BSD has been following compliance based supervision practice; but its efforts are directed at moving towards Risk Based Supervision.

The cornerstone of supervisory review is thorough, regularly scheduled, on-site examinations. These examinations focus on six components of bank safety and soundness, known together as CAMELS (Capital Adequacy, Asset Quality, Management, Earning, Liquidity, Sensitivity to Market risk). The banks are assigned a grade of 1 (best) through 5 (worst) on each component. Supervisors use these six scores to award a composite CAMELS rating, also expressed as a 1 through 5 scales. The scores and ratings are kept confidential and used for supervisory response.

The component of bank's management cannot be assessed only in terms of the returns submitted by the bank. Thus, the off-site supervision does not analyze the using CAMELS rating. A separate rating has been devised for the off-site supervision, which uses the components of CAMELS except for the "M" representing management, and the rating is, thus, labeled CAELS. On the basis of these components, Off-site supervision unit ranks the banks regularly. The result of the ranking remains confidential and used only for supervisor's information.

2.4 Organization of Bank Supervision Department

Bank supervision Department has divided its function into various divisions and units. The department comprises of on-site inspection/enforcement division, off-site supervision division, policy planning and analysis unit and internal administration unit. Besides these, there are committees and working groups. High level Co-ordination Committee (HLCC) is a committee for sharing of information among regulatory authorities of Nepal. Similarly Accord Implementation Group (AIG) is a group formed for the implementation of New Capital Adequacy

Framework in Nepal which is based on Basel II. The group meets and discusses on the issues of New Capital Adequacy Framework.

2.4.1 Onsite/Enforcement Unit

Functions of onsite inspection and enforcements are assigned to the onsite desks of the BSD. The onsite desks are responsible to conduct the on-site examination of the banks in accordance with the annual plan of the department. BSD is conducting corporate level onsite inspection at least once a year in each commercial bank. More than two third of the department's human resource is involved in these activities. Onsite inspection manual has been designed and implemented for onsite inspection. The objectives of on-site inspection conducted by Bank Supervision Department can be summarized as:

- To determine the commercial banks' financial position and the quality of its portfolios and operations so as to ensure that it is not operating against the interests of the depositors.
- To assess and appraise the competence and capability of the commercial bank's management and staff, as the quality of the institution's management will determine the soundness of its operation.
- To ascertain whether the bank is complying with applicable laws, regulations and monetary policy measures issued by the NRB.
- To evaluate the adequacy of the bank's records, systems, and internal controls.
- To test the accuracy, validity and regularity of the data submitted to the NRB by the banks.

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

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

a) Initial examination, which is generally conducted within six months of commencement of operation by a new bank;
b) Routine and corporate level full fledged inspection, which is the regular examination
c) Targeted Inspection, which addresses specific areas of operation of a bank e.g. credit, trade finance etc.
d) Special inspection, which is carried out as the need may arise

The On-site examination unit conducts periodic examination and special inspection in the banks. It also complements the Off-site supervision in the verification of information provided in the returns submitted to the off-site.

2.4.2 Off-site Supervision Unit

This unit carries out the off-site surveillance of the activities of all Nepalese commercial banks. The core objective of this function is to conduct periodic financial review of the banks in order to identify the potential problems and to gauge the compliance to prevailing laws and statute as well as to support the on-site function of the department. In order to pursue its objectives, the department has devised an off-site supervision manual, which has been put into effect. The supervision manual provides guidelines on the objectives, procedures and prescribed documents for the off-site supervision. The inspection and supervision By-law, 2002 (amended 2004) identifies the following key objectives of off-site supervision unit in Bank Supervision Department.

- To obtain regular information on financial condition and health of the commercial banks.
- To identify potential problems of commercial banks in the absence of onsite inspection.
- To help and strengthen the quality of on-site inspection.
- To ascertain the compliance status of the applicable laws, regulations and directives in the commercial banks.
- To serve as the Early Warning System

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

The Off-site Supervision unit reviews the financial returns submitted by the banks for checking compliance status of the Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR) and Deprived Sector Lending (DSL). This unit recommends for the penalty whenever there is a shortfall in the CRR, SLR and DSL. Furthermore, this unit collects and compiles information required for liquidity monitoring of the commercial banks on a daily basis.

It monitors, reviews, and analyzes returns of the commercial banks and prepares reports based on said returns and makes use of early warning signals as an attempt to detect emerging problems. The returns are used by the supervisors/examiners to ensure whether the banks' exposures is at risk, and its effect on banks' profits, etc. Some basic ratios (the financial soundness indicators) are computed from these returns and are used to analyze such important areas as Capital Adequacy, Assets Quality, Earnings, Liquidity and sensitivity to market risk (CAELS rating).

Moreover, the unit is performing the duties of enforcement, follow up and periodic review as per the New Capital Adequacy Framework 2007(updated July 2008).

Besides this, offsite unit compiles analyses and prepare reports of financial data on regular as well as special case basis. Daily liquidity monitoring, forward-looking assessments and sensitivity analysis of commercial banks are recent addition in the regular offsite functions.

2.4.3 Policy, Planning and Analysis Unit

Global financial market is narrowing down its distance day by day. Technological innovation has accelerated the size and complexities of the financial services offered by banks. With the rapid pace of development in the financial sector, there is a need of continuous improvements and development in the supervisory tools and techniques. Supervisory functions should be in line with the rapid growth of the banking sector and overall financial market. Regular study on recent change and developments in the field of banking supervision is necessary to achieve supervisory objectives. In this context, it is necessary to develop and maintain relation with international supervisory agencies. The relationship is expected to bring new supervision techniques and developments into force. The policy, planning and analysis unit is entrusted to study and maintain such relationship and to notify the department of new developments in the international arena, on a periodic basis.

Further, the unit is performing the tasks of formulation and periodic review of the annual plan of the department. It is also responsible for coordinating the interaction programs, seminars, and workshops on the supervision related issues with participation of the external stakeholders, as well. Supervisory policies and guidelines are developed in an interactive and consultative way where industry participants and the stakeholders are allowed to comment on policy documents before they are finalized.

2.4.4 Internal Administration Unit

Internal administration unit performs the functions related to human resources and internal administration within the department; such as placement, travel orders, leave records, and also serves as the back office. This unit also looks after the procurement function such as supply of office logistics and stationery in the department in coordination with the General Services Department of the bank.

CHAPTER 3
Current Issues in Bank Supervision

3.1 Background

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

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

In our context, the year 2007/08 was the year of Parallel Run of the New Capital Adequacy Framework based on Basel II. The framework, which came into effect after meticulous impact studies and frequent discussions with different stakeholders, requires banks to maintain their capital based on different risk exposure. The Parallel run of Basel II was successful in orienting the banks to identify, classify and assess various risks in order to put their effect on capital. However, as the Nepalese banking sector is yet to gain the maturity, the advance approaches prescribed for the sophisticated banks in international markets are largely not applicable in the present context. Thus, the prescribed approaches have been customized and thereby simplified to implement in the Nepalese banks and financial institutions.

NRB has developed and issued Risk Management Guidelines on the basis of Basel Core Principles to set the minimum standard for risk management in commercial banks. Moreover, developing an overall framework for moving towards risk-based supervision (RBS) is under process. The RBS will be a policy in which NRB's resources will be directed towards the areas of greater risk to its supervisory objectives.

3.2 Risk Based Supervision

The current supervisory process adopted by the Bank Supervision Department (BSD) is applied to all commercial banks uniformly. The current approach is largely on-site inspection driven and supplemented by off-site monitoring and the supervisory follow-up. The process is based on CAMELS/CAELS approach where capital adequacy, asset quality, management aspects, earnings, liquidity and sensitivity to market risk etc. are reviewed keeping in mind the legal requirements of the Acts and regulations. The on-site inspection is conducted, to a large extent with reference to the audited balance sheet date and any particular cut-off date of financial years. The off-site surveillance plays a supplementary role. While in several external jurisdictions, the supervisory process extensively leverages on the work done by others, such as the internal and external auditors. No legal framework exists for the external auditors to report their adverse findings to the supervisor on issues of supervisory implications; however a special purpose report namely the Long Form Audit Report (LFAR) has to be submitted by the auditor to the supervisor.

Risk-based supervision saves supervisory resources and helps to promote a more safe and sound financial system. It saves resources because it focuses regulatory resources on areas of higher risk and usually requires substantially less transaction testing. 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 and thereby requiring improvements in management practices and systems. The risk-based supervision is not be transaction based. It is 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.

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

RBS is a proactive and efficient supervisory process, which enables the supervisor to prioritize and focus supervisory 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.

Objectives of RBS are to;

- Identify those banks in which risks are higher
- Identify the areas which are exposed to higher risk
- Allocate scarce supervisory resources to those identified risky area

3.3 Basel Core Principles

The Core Principles for Effective Banking Supervision, promulgated by the Basel Committee on Banking Supervision, set out the minimum standards that are considered necessary for effective supervision. However, the Core Principle is a brief document and covers a variety of topics; it cannot fully explain the key differences between risk-based supervision and traditional regulatory practices or provide a systematic explanation of all the basic elements that would enable a regulatory agency to implement risk-based supervision.

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

- Financial transparency and effective corporate governance in the Nepalese banks and financial institutions,
- Balanced and stable fiscal policy,
- Effective supervision of 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,
- Establishment of institutions such as Assets Management Companies, Credit Rating Agencies, Deposit Insurance Fund and
- Laws on Controlling Financial Crime and Conflicts of Interest.

3.4 New Capital Adequacy Framework and its implication in Nepal

With a view of adopting the international best practices, NRB has already implemented New Capital Adequacy framework in commercial banks. The complexity and sophistication of the Nepalese financial market don't warrant advanced approaches like the IRB Approach or the Standardized Approach.

Considering the market development, Nepal Rastra Bank adopted the simplified standardized approach for credit risk, basic indicator approach for operational Risk and net open position approach for the market Risk.

In line with the international development and thorough discussion with the stakeholders, evaluation and assessment of impact studies at various phases, this framework 2007 (updated 2008 July) was put in place. This framework provides the guidelines for the implementation of New Capital Adequacy framework in Nepal. In line with International Convergence of Capital Measurements and Capital Standards, this framework also builds around three mutually reinforcing pillars, viz. minimum capital requirements, and 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 calculate operational and market risk to the total risk weighed exposure to credit risk.

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

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

Accord Implementation Group (AIG) was formed for overseeing the implementation of New capital adequacy framework in Nepal. The Accord Implementation Group consisted of officers from Bank and Financial Institution Regulation Department, Bank Supervision Department and Financial Institution Supervision Department. Realizing the importance of the involvement of the stakeholders from the preliminary stage, members of the commercial and development banks were also included in the Accord Implementation Group.

3.4.1 Internal Capital Adequacy Assessment Process (ICAAP)

Banks need to assess the minimum capital requirement ensuring that their boards of directors understand material risks of the banks. Since the banking is a risk taking business, the significant activities of the banks and the risk inherent in the activities need to be identified by the board. Banks should have appropriate risk management practices to identify, measure, monitor and control the risks associated with the business. New capital adequacy framework requires the banks to have a comprehensive process with a focus on board and senior management oversight, monitoring, reporting and internal control. It reviews at regular intervals to ensure the alignment of regulatory capital requirement with the risk profile of the bank and thus ensure long-term safety and soundness of the bank. ICAAP emphasizes the importance of risk management practices, sound capital assessment and control environment in the banks.

3.4.2 Prompt Corrective Action (PCA)

Over the past years, several countries have adopted a system of prudential Prompt Corrective Action (PCA) binding capital adequacy standards and the ability to take substantial actions against banks that failed to meet the standards. On the first appearances, the adoption of PCA in the US, UK, European Union, Hong Kong, Canada, Mexico, Korea, Indonesia, India, Bangladesh, Malaysia and Brazil appeared successful. The PCA approach of supervisor realizes that early steps in preventing problems in banks are always better than caring troubled banks.

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 increase in salary and allowances are taken on the basis of the level of shortfalls in the regulatory capital adequacy ratio.

Basel core Principle no. 6 (Capital adequacy) has clearly urged the need of capital requirement and enforcing 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 has also emphasized supervisors to require all banks to calculate and consistently maintain a minimum capital adequacy ratio. The supervisor defines the components of capital, ensuring that emphasis is given to those elements of capital available to absorb losses. The supervisor should be equipped with the power to impose a specific capital charge and/or limits on all material risk exposures.

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

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

3.5 Bank Exit mechanism

NRB has, continuously, directed its efforts and making progress in implementing prudential regulations including new capital adequacy norms, strengthening supervisory capacity, making provisions for liquidity support to banks, and introducing Prompt Corrective Actions (PCA), Early Warning Signals (EWS), and Stress Testing of banks. As rapid growth of the banking sectors with the presence of new entrants, the risk profile of the system is increasing gradually. Nepalese financial system is exposed to external risk from the global financial crisis as well as internal macroeconomic vulnerabilities. Under such scenario banks regulators and supervisors need to be well prepared for handling the crisis due to the vulnerabilities of financial system and possible trigger of systemic crisis. Developing supervisory capacity for the crisis handling, defining step-by-step process for problem bank resolution, designing mechanism for the resolutions of problem banks and developing bank exit mechanism are the main issues to be addressed in near future.

3.6 Macro-prudential Supervision

New lesson learnt from global financial crisis is that regulation and supervision of banks in isolation is not sufficient for maintaining financial stability. Macro-prudential perspective evaluates and monitors the financial system as a whole. Globally, it is felt necessary to initiate the practices of combined efforts of micro and macro prudential perspectives to create a stronger supervisory framework. As perceived in the global experience, adopting macro prudential supervision has been an issue to be addressed for the stability of Nepalese financial system.

3.7 Financial Safety net or deposit guarantee

Developing a financial safety net for banks has been an important issue for the sustainable development of financial system. Nepal Rastra Bank has an objective of promoting stability and credibility of the general public in banking system. Strengthening regulatory and supervisory function is important in one side and on the other side development of strong safety net is equally necessary to achieve these objectives. Deposit guarantee schemes are recently initiated in the Nepalese financial sector (except commercial banks) up to Rs. 2 hundred thousand. In spite of the provision of deposit guarantee, establishment of Asset Management Company (AMC), strengthening capacity of Debt Recovery Tribunal and establishment of Credit Raging Agencies are equally important to maintain and promote financial safety and soundness.

3.8 E-banking in Nepalese Commercial Banks

Electronic banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. It provides the convenience of accessing banking facilities from the comfort of their home or office. Electronic banking includes the systems that enable customers to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the Internet. Electronic banking can help for the standardization of banking products where by substantial reduction in cost is possible. Enhancement of efficiency in banking services is another prime objective of Electronic banking by creating the opportunity of penetrating new market and expansion of banking activities across the borders. Electronic banking increase transparency and competition in banking services in one hand and it increase banking risks on the other hand.

The brief overview of present status of Electronic banking in Nepalese commercial banks is presented below.

Internet Banking

Internet banking allows individuals to perform banking activities from any place at any time from anywhere via the Internet. Internet banking services currently used in Nepalese banks can be classified into information service, interactive information exchange service and transactional service.

Information Service

This is the most basic form of Internet banking service. It is a one-way communication whereby information, advertisement or promotional materials are provided to the customers.

Interactive Information Exchange Service

This form of Internet services offer slightly more customer interactions compared to the former. Customers are able to communicate with the bank by account enquiries and complete application forms for additional services or purchase new products offered. The risks pertaining to these websites depend on whether they have any direct links to the licensee’s internal network. These risks range from low to moderate depending on the connectivity between the Internet and the internal network and the applications that the customer could access.

Transactional Service

This category of Internet services allows customers to execute online transactions such as the transfer of funds, payment of bills and other financial transactions. This is the highest risk category service that requires the strong control since online transactions are often irrevocable once executed. The bank's internal systems may be exposed to external attacks if controls are inadequate.

Kumari Bank Limited first introduced Internet banking in Nepal in 2002. Present status of Internet Banking in Nepal is presented below:

Table 3.1: Internet Banking

	Mid July 2009	Mid July 2010
Total No. of Internet Banking Users	79,790	1,19,718
No. of Banks offering Transactional Services	12	19
No. of Banks offering Communicative Services only	7	5

As at mid July 2010, out of 27 commercial banks 24 banks are offering Internet Banking services. Among them 19 banks are offering transactional services and 5 banks are offering information exchange services. There are 1,19,718 Internet banking users of commercial banks as at mid July 2010. The number of Internet banking users has been increased by 50.04 percent in 2009/10 compared to that of mid 2008/09.

Short Message Service (SMS) Banking

SMS banking is a technology-enabled service offering from bank to its customers, permitting them to operate selected banking services over their mobile phones using SMS messaging.

SMS banking services are operated using both push and pull messages. Push messages are those that the bank chooses to send out to a customer's mobile phone, without the customer initiating a request for the information. Typically push messages could be either mobile messages or messages alerting an event which happens in the customer's bank account, such as a large withdrawal of funds from the ATM or a large payment using the customer's credit card, etc. Pull messages are those that are initiated by the customer, using a mobile phone, for obtaining information or performing a transaction in the bank account like account balance enquiry, or requests for current information like currency exchange rates and deposit interest rates, as published and updated by the bank.

Laxmi Bank Limited is the first bank to introduce SMS banking in Nepal in the year 2004. Nepalese banks are providing services like balance inquiry, mini statement, last transactions information, withdrawal alerts, cheque book inquiry/request, intra-bank fund transfer, utility bill payments etc. through SMS banking.

Table 3.2: *SMS Banking*

	Mid July 2009	Mid July 2010
Number of SMS Banking Users	1,11,155	2,16,987
No. of Banks offering Transactional Services	1	5
No. of Banks offering Non Transactional Services only	23	16

As at mid July 2010, 21 banks are offering SMS banking services. The number of SMS banking users as at mid July 2010 is 2, 16,987. The number of users has increased by 95.21 percent in July 2010 compared to that of July 2009. Most of the Nepalese commercial banks are offering non-transactional SMS banking services. Only five banks are offering transactional services including intra-bank fund transfer and utility bill payments.

Debit Card and ATM

A Debit Card is a payment card, which enables the bank customer with the option of making purchases at merchant locations as well as cash withdrawal from ATMs.

An ATM is an electronic computerized telecommunication device that allows customers to directly use a secured method of communication to access their bank accounts, make cash withdrawals and check their account balances without the need for a human bank teller. Himalayan Bank Limited introduced the first ATM in Nepal in the year 1995.

In Nepal, all commercial banks except Agricultural Development Bank are providing debit card to their customers and are provided with facilities to view balance and to withdraw cash from ATM machine. There are 15,06,240 debit card users of the commercial banks throughout the country in mid July 2010. The number of debit card users has increased by 69.50 percent in July 2010 compared to mid July 2009.

Table 3.3: **Number of ATMs**

	Mid July 2009	Mid July 2010
Inside Valley	280	415
Outside Valley	205	326
Total	485	741

As at mid July 2010, commercial banks have installed 415 ATMs within Kathmandu valley and 326 ATMs outside Kathmandu valley. Total number of ATMs in the country has increased by 52.78 percent compared to mid July 2009.

Most of the banks have shared ATM network enabling the customers to access their account from machines other than the own bank. There are also numbers of point of sale (POS) machine enabling customers to purchase commodities in a number of departmental stores.

Credit Card

Credit card is a type of plastic card containing identifying information about a credit account maintained by a customer with a bank or other institution. Credit card service in Nepal was first introduced by NABIL bank in the early 1990s. Very few numbers of Nepalese banks are offering credit card services to their customers. As at mid July 2010, out of 27 commercial banks only 7 commercial banks are offering credit card facilities through 25560 credit cards in Nepalese currency and 3296 Credit cards in USD to their customers. The total credit card facility exposures as at mid July 2010 stood at Rs.390 million.

Table 3.4: Credit Cards

	Mid July 2009	Mid July 2010
Total Number of Credit Card Users	30,909	28,856
Domestic	27,301	25,560
International	3,608	3,296

Prepaid Card

Prepaid cards are the plastic cards that can be availed to any person without having an account in the bank. As at mid July 2010, only 6 banks are offering prepaid card services to their customers. They issued 30,115 domestic prepaid cards and 3,909 international prepaid cards.

Table 3.5: Prepaid Cards

	Mid July 2009	Mid July 2010
Total Number of Prepaid Card Users	32,066	34,024
Domestic	27,728	30,115
International	4,338	3,909

Branchless Banking

Branchless banking is a distribution channel strategy used for delivering financial services without relying on bank branches.

In Nepal, Everest bank limited is providing branchless banking services in 32 VDCs. The services include deposit and withdrawal. As at mid July 2010, there are 5563 customers of the bank are using this service.

CHAPTER 4

Supervisory Activities of 2009/10

4.1 Annual Bank Supervision Department Action Plan 2009/10

Bank Supervision Department prepares annual action plans every year for the upcoming year. Such plans need to be reviewed regularly so as to ensure the implementation is in line with the plan to achieve the desired objectives. Similarly, BSD reviews the plans at a regular interval. The annual action plans for the fiscal year 2009/10 and its implementation status is presented in the table below:

Table 4.1: Annual Action Plan of Bank Supervision Department for F.Y.2009/10

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 commercial banks and branches as per requirement	Yes
2	**Off-site Supervision**	Yes
2.1	Preparation of quarterly consolidated offsite supervision report incorporating financial analysis and compliance to prevailing directives and regulations, within the specified timeframe.	Yes
2.2	Preparation of consolidated annual offsite supervision report of all commercial banks.	Yes
2.3	Annual clearance of all commercial bank	Yes
2.4	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 the directions given by Nepal Rastra Bank during on-site examination or off-site supervision	Yes
3.2	Monitoring implementation status of directions given by Nepal Rastra Bank during on-site examination or off-site supervision	Yes
3.3	Preparation of quarterly enforcement reports reflecting implementation status of each bank within the specified deadline.	Yes
4	**Policy, planning Unit**	
4.1	Publication of annual report of Bank Supervision Department.	Yes
4.2	Coordination of various interaction Programs, seminar, workshops, and trainings etc during the fiscal year.	Yes
4.3	Preparation of Annual Bank Supervision Action Plan for 2009/10	Yes
4.4	Preparation of Risk Management Guidelines	Yes

The Bank Supervision Department has performed all activities premeditated in the Annual Supervision Action Plan of 2009/10.

4.2 Corporate Level On-site Inspection programs

The corporate level on-site examinations of all 26 banks (except Janata bank which was established in the last quarter of the fiscal year) were carried out during the year 2009/10. The schedule of the on-site examinations in 2009/10 on quarterly basis was as follows:

Table 4.2: Distribution of corporate level on-site examination in 2009/10

S. No.	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1	Nepal Bangladesh Bank Ltd	Bank of Asia Nepal Ltd.	Nepal Bank Ltd.	Standard Chartered Bank Nepal Ltd.
2	NCC Bank Ltd.	Nepal Investment Bank Ltd..	Rastriya Banijya Bank Limited	Everest Bank Ltd
3	Global Bank Ltd.	Lumbini Bank Ltd	Himalayan Bank Ltd.	Siddhartha Bank Ltd
4	Kist Bank Ltd.	Bank of Kathmandu	NIC Bank Ltd.	Development Credit Bank Ltd.
5	Machhapuchchre Bank Ltd.	Nabil Bank Ltd.	Citizens Bank International Ltd.	Laxmi Bank Ltd.
6	Nepal SBI Bank Ltd.	Sunrise Bank Ltd.	NMB Bank Ltd.	-
7	Kumari Bank Ltd.	Prime Commercial Bank Ltd.	Agriculture Development Bank Ltd.	-
Total	**7**	**7**	**7**	**5**

Several forms of discrepancies were identified in due course of inspections in terms of compliance with NRB directives, BAFIA-2006 and other relevant Acts and statutes. Similarly, shortcomings were also observed in corporate governance and risk management practices. Bank Supervision Department has issued both specific and general directions/instructions to the banks in order to resolve the shortcomings observed in the inspection periods. From these observations, Nepalese banking system still seems as having poor corporate governance. Hence, this requires frequent onsite visits for the timely correction of such practices.

The major shortcomings as well as non-compliance observed in the banks during the on-site examinations of 2009/10 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 ➢ Cases on accounting treatment of Debt Instruments ➢ Improper calculation of risk weighed exposure ➢ Redemption reserve not created ➢ Weak overall risk management ➢ Disclosure policy not formulated ➢ Credit Risk Mitigation Criteria not fulfilled

	➢ Loan provided by banks exceeded the Single Obligor Limit (SOL) ➢ Weak infrastructure to implement Capital Adequacy Framework
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.) ➢ Lack of formulation and implementation of Write-Off policy. ➢ Non-compliance of the terms and conditions mentioned in the offer-letter. ➢ Irregular credit monitoring. ➢ Inadequate loan loss provisioning. ➢ Inadequate borrower's information. ➢ Borrowers separation on the basis of legal separation only for SOL purpose- credit concentration issues ➢ Issues on assessment of borrower's future cash flows for the repayment of loan ➢ Improper valuation of fixed assets ➢ Overdraft limit overdrawn ➢ Securities not insured ➢ Credit limits provided to other Banks and Financial Institutions ➢ Creation of new loan limit to repay existing loans. ➢ Consortium meetings are not regular ➢ Non-compliance of Company Act ➢ Issues on Loan Restructuring ➢ Non-compliance of NRB Directives on Blacklisting. ➢ Discretionary power to CEO to override 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 ➢ Weak appraisal of loan like loan already taken from other bank, defaulted ➢ Know Your Customer(KYC) directives not followed ➢ Conflict between management and bank employees ➢ Short-term loan extended time and again ➢ Non-compliance of loan classification directives ➢ Purpose of personal large loan not identified ➢ Loan disbursed before approval ➢ Loan disbursed against local Letter of Credit(LC) ➢ Weak credit control mechanism ➢ Credit concentration in real estate sector ➢ Issues in multiple banking (Paripassu not done) ➢ Loan provided to promoter group ➢ Non-compliance of Anti Money Laundering directives

Management	➢ Lack of Compliance of Personnel Policy Guidelines of the bank (Issues on job description, authority delegation, transfer and promotion) ➢ Disclosure policy not formulated ➢ Formulation of strategic and business plan ➢ Issues of high staff turnover and lack of proper staff retention policy. ➢ Independence and importance of Audit Committee undermined ➢ Lack of Board of Directors' oversight on sectoral credit concentration ➢ Inadequate MIS, IT, Disaster Recovery, information security policy, weak data access control ➢ Unjustifiable abroad visit of Board of Directors ➢ Medium term strategy not formulated and relied on one year business plan ➢ Weak outsourcing risk management ➢ Lack of comprehensive risk management guidelines ➢ Lack of backup link in disaster recovery site ➢ Lack of successor plan ➢ Bank's financial statement does not show true picture of the bank ➢ Unprofessional decisions of the BOD ➢ Weak BOD oversight in loan issues ➢ Lack of adequate oversight on risk appetite and new capital adequacy framework ➢ BAFIA not fully complied ➢ Operational lapses ➢ Mechanism not prepared to monitor single obligor limit and related parties ➢ Board of Directors unaware on bank activities ➢ Crossholding not divested
Earning	➢ Improper classification and provisioning ➢ Income recognition
Liquidity	➢ No discussion on agendas and very low frequency of ALCO meeting ➢ Weaknesses in monitoring of liquidity profile and gap analysis ➢ High credit to deposit ratio ➢ Low net liquid assets to total deposit ratio ➢ Heavy gap in short term asset and liabilities and no plan to revive it
Sensitivity To Market	➢ Poor analysis of rate sensitive assets and liabilities ➢ ALCO lacking regular meeting ➢ Investment Policy not formulated/implemented

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

Special On-site Inspection

During the year 2009/10, Bank Supervision Department conducted 39 special on-site examinations, one each in 27 banks, and maximum 4 times in Nepal Bangladesh Bank, relating to various issues. These inspections were initiated on the basis of information provided by Off-site Division of the department, and turned instrumental to resolve the main issues of such inspections.

Table 4.3: Special on-site Inspection in 2009/2010

S.N.	Banks	No of Inspection
1	Nepal Bank Ltd.	1
2	Rastriya Banijya Bank Ltd.	2
3	Nabil Bank Ltd.	3
4	Nepal Investment Bank Ltd.	1
5	Standard Chartered Bank Nepal Ltd.	1
6	Himalayan Bank Ltd.	2
7	Nepal Bangladesh Bank Ltd.	4
8	Nepal SBI Bank Ltd.	1
9	Everest Bank Ltd.	1
10	Bank of Kathmandu Ltd.	1
11	Nepal Credit & Commerce Bank Ltd.	1
12	Lumbini Bank Ltd.	3
13	Nepal Industrial and Commercial Bank Ltd.	1
14	Machhapuchchhre Bank Ltd.	1
15	Kumari Bank Ltd.	1
16	Laxmi Bank Ltd.	1
17	Siddhartha Bank Ltd.	1
18	Agriculture Development Bank Nepal Ltd.	1
19	Global Bank Ltd.	1
20	Citizens Bank International Ltd.	1
21	Prime Commercial Bank Ltd.	1
22	Bank of Asia Nepal Ltd.	1
23	Sunrise Bank Ltd.	3
24	NMB Bank Ltd.	1
25	DCBL Bank Ltd.	2
26	Kist Bank Ltd.	1
27	Janata Bank Ltd.	1
Total Number of Inspections		**39**

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 conduit of monetary policy. As an indirect monetary instrument, Nepal Rastra Bank uses CRR to control money supply in the economy, which is 5.5% of total local currency deposit liabilities in the review period. Banks, that fail to maintain such reserves, are levied financial penalties based on the bank rate. The penalty rate escalates every time when there is a repetition in non-compliance of CRR. During the fiscal year 2009/10, following banks were penalized for non-compliance of CRR.

Table 4.4: Penalty for non-compliance of Cash Reserve Ratio in 2009/10

Banks	Quarter I	Quarter II	Quarter III	Quarter IV	Total Rs.
Rastriya Banijya Bank Ltd.	67590	1315060	27123.75	879390	2289163.75
Nepal Bank Ltd.	193191.25	175860	-	-	369051.25
Nabil Bank Ltd.	9578.75	-	-	-	9578.75
Kist Bank Ltd.	-	42831.25	-	-	42831..25
Agriculture Development Bank Ltd.	-	79065	1070898.75		1149963.75
Total	**270360**	**1612816.25**	**1098022.5**	**879390**	**3860588.75**

Rastriya Banijya Bank was fined for non-compliance for the seventh time whereas Nepal Bank Ltd. and Agriculture Bank for the second time and Nabil Bank and Kist bank for the first time.

The offsite unit collects data from all commercial banks to monitor and review weekly average CRR position of the banks. It aims to identify the balance of (excess or deficit) reserves maintained in central bank.

4.3.2 Directed Lending

Nepalese commercial banks are required to disburse at least 3 percent of their total loan portfolio in the deprived sector as directed lending. Failure to meet such an obligation resulted in the financial penalty for the bank, computed on the basis of highest published lending rate of the bank. During 2009/10, following banks were penalized in terms of non-compliance of directed lending.

Table 4.5: Penalty for non-compliance of Deprived Sector Lending in 2009/10

Banks	Quarter I	Quarter II	Quarter III	Quarter IV	Total Rs.
Prime Commercial Bank Ltd.	894693.8				894693.8
Kumari Bank Ltd.			-	148330	148330
Sunrise Bank Ltd.		-	-	1616947.5	1616947.5

Total	**894693.8**			**1765277.5**	**2659971.3**

4.3.3 Statutory Liquidity Ratio (SLR)

Banks are required to maintain SLR of 8 percent of their total deposit. Failure to meet such obligation resulted in the financial penalty for the bank, computed on the basis of bank rate (6.5 percent). During the fiscal year 2009/10, only one bank was penalized in terms of non-compliance of Statutory Liquidity Ratio.

Table 4.6: Penalty for non-compliance of Statutory Liquidity Ratio in 2009/10

Banks	Quarter I	Quarter II	Quarter III	Quarter IV	Total Rs.
Prime Commercial Bank Ltd.		1690964.17	1120350.83		2811315
Total		1690964.17	1120350.83		2811315

4.3.4 Capital Adequacy Ratio

New Capital Adequacy Framework requires the banks to maintain minimum capital requirements. As per the framework, Nepalese commercial banks need to maintain at least 6 percent Tier I capital and 10 percent Total Capital (Tier I & Tier II). These minimum capital adequacy requirements are based on the basis of the risk-weighted exposures (RWE) of the banks. The capital adequacy ratios of banks are monitored on a monthly basis. Table presented below shows the capital position of the banks as of mid July 2010 (table).

Table 4.7 Capital Adequacy Ratio in commercial banks

		Rs. in million)			Percent	
S.N.	Bank	Tier 1	Tier 1 & Tier 2	Total RWE	Tier I	Total Capital
1	Nepal Bank Ltd.	-4968.28	-4968.28	44466.36	*	
2	Rastriya Banijya Bank Ltd.	-10299.66	-10299.66	42773.20		
3	Nabil Bank Ltd.	4111.89	4830.36	41588.46	9.89	11.61
4	Nepal Investment Bank Ltd.	5156.67	6252.36	53491.56	9.64	11.69
5	Standard Chartered Bank Ltd.	3819.85	4299.66	24184.58	15.79	17.78
6	Himalayan Bank Ltd.	3619.65	4448.14	40347.11	8.97	11.02
7	Nepal Bangladesh Bank Ltd.	1772.79	1931.68	15012.90	11.81	12.87
8	Nepal SBI Bank Ltd.	2522.15	2826.89	19991.92	12.62	14.14
9	Everest Bank Ltd.	2537.09	3257.14	30833.38	8.23	10.56
10	Bank of Kathmandu Ltd.	2198.42	2507.40	21901.10	10.04	11.45
11	NCC Bank Ltd.	1401.08	1536.74	10781.85	12.99	14.25
12	Lumbini Bank Ltd.	1363.93	1502.50	6103.45	22.35	24.62
13	NIC Bank Ltd.	2101.99	2398.58	15674.69	13.41	15.30
14	Machhapuchhre Bank Ltd.	1806.91	1961.91	17547.81	10.30	11.18
15	Kumari Bank Ltd.	1930.91	2376.94	17221.25	11.21	13.80
16	Laxmi Bank Ltd.	2046.65	2463.30	16432.32	12.46	14.99
17	Siddharth Bank Ltd.	1710.72	2112.84	19697.59	8.68	10.73
18	Agriculture Dev. Bank Ltd.	10250.60	13523.65	74924.97	13.68	18.05
19	Global Bank Ltd.	1618.22	1746.67	15376.86	10.52	11.36
20	Citizens Bank Int'l Ltd.	1302.90	1412.70	12527.83	10.40	11.28

S.N.	Bank	Rs. in million) Tier 1	Tier 1 & Tier 2	Total RWE	Percent Tier I	Total Capital
21	Prime Commercial Bank Ltd.	1654.72	1810.55	15495.34	10.68	11.68
22	Bank of Asia Nepal Ltd.	1738.20	1854.88	12481.87	13.93	14.86
23	Sunrise Bank Ltd.	1727.08	1863.30	15877.13	10.88	11.74
24	NMB Bank Ltd.	1980.91	2062.61	9973.92	19.86	20.68
25	DCBL Bank Ltd.	2035.94	2112.03	8789.15	23.16	24.03
26	Kist Bank Ltd	2154.98	2279.60	15367.62	14.02	14.83
27	Janata Bank Nepal Ltd	1462.86	1462.86	2157.30	67.81	67.81
Total		**48759.18**	**59567.35**	**621021.52**	**7.85**	**9.59**
Private Sector Bank		53776.51	61311.64	458856.99	11.72	13.36
Public Sector Bank		-5017.33	-1744.29	162164.53	*	

** Banks having negative capital position.*

4.3.5 Annual clearance for publication of financial statements

Banks are required to obtain clearance from Nepal Rastra Bank prior to publishing their annual accounts. In this process, off-site surveillance of each of the bank is conducted based on the various documents like the final 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 banks' financial position, compliance of the relevant laws and issues raised by the external auditors are analyzed at length to determine whether any supervisory intervention is required. Annual accounts of 25 banks were cleared during 2009/10; except Rastriya Banijya Bank.

4.4 Enforcement Activities

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

4.5 Policy and Planning Activities

During the review period, the Policy Planning and Analysis unit formulated an Action Plan for the upcoming year. The unit conducted a periodic review of the Annual Supervision Action Plan of 2009/10 and the report was executed in accordance with the Inspection and Supervision By-laws. Policy, planning and analysis unit also acts as the secretariat for High Level Co-ordination Committee.

4.5.1 Risk Management Guidelines

As required by the Basel core principle 7, Risk Management Process, and according to core principle 8, 13, 14, and 15, Nepal Rastra Bank prepared and issued a comprehensive Risk Management Guidelines to the commercial banks. The guidelines are in line with the international standard with coverage of major risks in Nepalese commercial banks; credit risk, operational risk, market risk and liquidity risk. The guidelines provide minimum standard as well as general guidelines to encourage banks for directing their efforts towards appropriate measures for risk management. The only overarching objective of this RMG is to contribute towards maintaining and improving financial safety and soundness through better risk management practices in the Nepalese banking industry.

4.5.2 Memorandum of Understanding

As required by Basel core principle 25, NRB Act, 2002 section 85 and Supervision manual, 2003, Bank Supervision Department has developed a template of "Memorandum of Understanding" to share cross-border banking information. The main objectives of the MoU are:

- to support and develop an understanding of mutual cooperation between two authorities in the field of financial /supervision.
- to share information in respect of cross-border establishments which assist the recipient in the exercise of its supervisory functions.
- to develop a common understanding of the risk profile of large cross-border establishment/banking group.
- to build mutual trust and understanding between the supervisory authorities.
- to cooperate mutually in any other matters agreed upon by the authorities.

4.5.3 Trainings, Seminars, and Interaction Programs

- A four-days international seminar on Liquidity Risk for Commercial Banks was jointly organized with the South East Asian Central Bank (The SEACEN) Research and Training Centre and Financial Stability Institute.4.5.4 Working Group for Nepal Contingency Planning Project (NCPP)

Senior Policy Group (SPG) has been formed in the chairmanship of the Honorable Minister of Finance including the chief of regulators of financial Market (NRB, Security Board of Nepal, and Beema Samitee). Nepal Contingency Planning Project (NCPP), a technical committee, is working under SPG in the chairmanship of Deputy Governor. It includes members from Ministry of finance, Regulation Department and both of the Supervision department of NRB. Policy Planning and Analysis unit has been discharging the responsibilities of secretariat services for the NCPP and its working group. The committee's meeting is sought specially to address issues that have major impact on the financial system and are in the common jurisdiction of all regulators.

4.5.4 Releases of Enforcement Actions

A. Nepal Bangladesh Bank

After the resignation of board of directors of Nepal Bangladesh Bank, Nepal Rastra Bank declared NBBL as the problematic Bank as per the Nepal Rastra Bank Act, 2002 Section 86 Ga Sub section Na and took over its management on November 12, 2006. Problematic situation was observed in the bank when there were serious cases of insider's lending, corporate governance and poor financial performance in the banks. NRB released its control over NBBL and the bank was handed over to its newly appointed BOD on January 14, 2010 after the recovery of insider's loan, improvement in capital adequacy and nonperforming loan and satisfactory financial performance.

B. Lumbini Bank Ltd.

On March 26, 2010, NRB released the control over Lumbini Bank Ltd from its the previous action as per the NRB Act, 2002, section 100. The action to the bank was released on the basis of its satisfactory financial performance according to the financial statements submitted by the bank. As per the financial report submitted on January 13, 2010, the bank's core capital and total Capital (Tier I and Tier II) reported to be 21.58 percent and 22.46 percent respectively, decrease in the level of NPL to 6.37 percent and positive change in the key financial indicators reflecting the overall financial position to be satisfactory.

C. Siddhartha Bank Ltd.

Prompt corrective action (*first trigger*) was enforced to Siddhartha Bank Ltd on the basis of financial report submitted on mid March 2010. After improvement in the capital position of the bank based on the financial report submitted on mid April, 2010, the NRB BOD decided to release the prompt corrective action taken on June 30, 2010.

Chapter 5

Performance of the Commercial Banks in 2009/10

5.1 Assets of the commercial banks

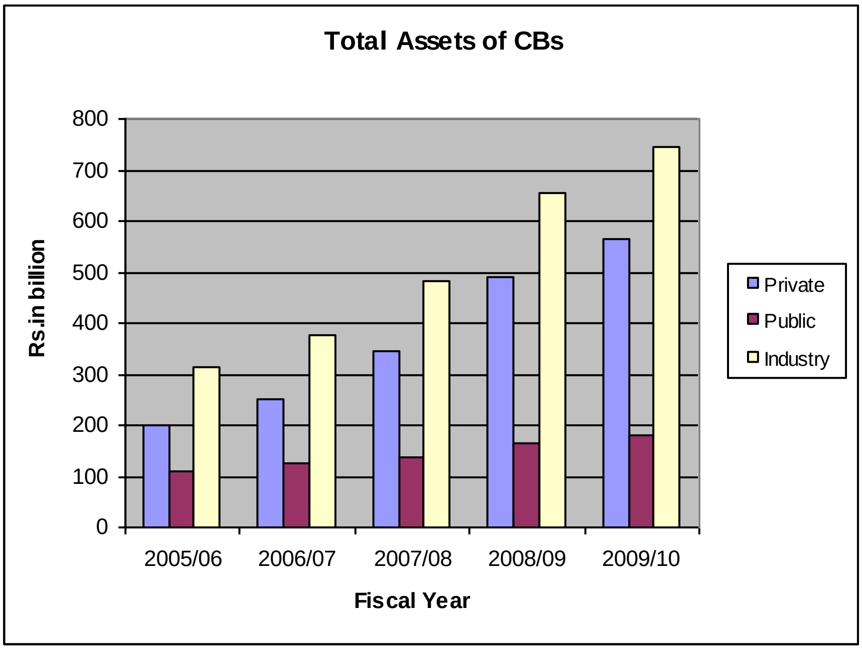
The total assets of the banks increased by 13.22 percent in the fiscal year 2009/10 compared to a growth of 36.23 percent in 2008/09. The total assets increased by 7.74 percent in the public banks and by 15.10 percent in the private banks in the review year. The growth of total assets of private banks is higher than public banks and is in increasing trend for last 5 years.

Table 5.1: Total Assets of the Banking Industry (mid July, 2010)

(Rs. in billion)

Banks/Year	2005/06	Change %	2006/07	Change %	2007/08	Change %	2008/09	Change %	2009/10
Private	201	24.87	251	37.05	344	42.44	490	15.10	564
Public	111	11.71	124	12.09	139	20.86	168	9.03	181
Industry	312	20.19	375	28.80	483	36.23	656	13.22	745

Chart No.5: Total Assets of the Commercial Banks

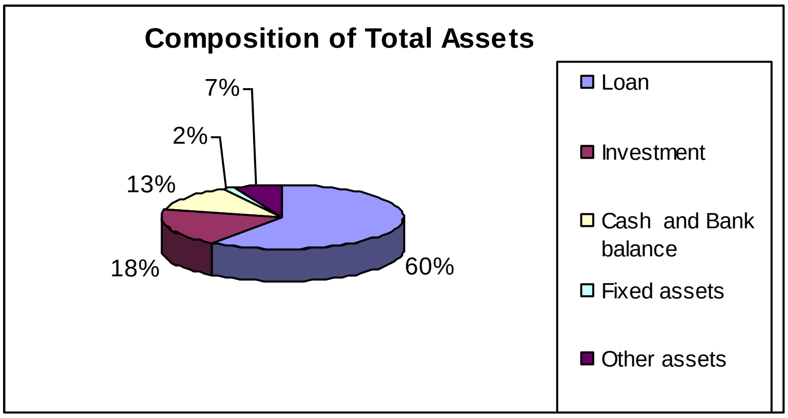


Increase in the total assets was mainly on account of the increase in the loan portfolio of the banks of Rs.67.60 billion in 2009/10. Such assets had increased by 98.84 billion and by Rs.74.94 billion in 2008/09 and 2007/08 respectively. The loan portfolio of the public banks increased by Rs.11.27 billion in 2009/10, while the private banks had posted an increase of Rs.56.33 billion during the period.

5.2. Composition of Assets

Commercial banks have a variety of assets, however, loans and advances accounted more than half of the total assets followed by other assets, cash and bank balance and investment. As at mid July 2010, the proportion of loans, other assets, cash and bank balance and investment in total assets were 60.08 percent, 18.27 percent, 13.48 percent and 6.55 percent respectively.

Chart No. 6: Composition of Assets (Mid July, 2010)



5.3 Composition of Liabilities

The bank's liability and capital side of balance sheet consisted of various sources of funds like share capital and reserves, deposits and borrowings. The largest source of fund of commercial banks as on mid July 2010 was deposit, which amounted Rs.630.83 billion, of which Rs. 487.61 billion was held by private banks and rest by public banks. The second largest source, share capital amounted Rs.49.30 billion in the whole commercial banks. As evident from the following table, the reserves of the private banks (Rs.13.13 billion) remained important source of funding, but due the huge volumes of negative reserves of two public banks i.e Nepal Bank Ltd (Rs.5.23 billion), and Rastriya Banijya Banks (Rs.9.78 billion), it had negated the reserves of the entire banking industry.

The year on year comparison indicated a positive change in the liabilities of the banking sector. Commercial banks were able to mobilize an additional deposit of Rs.66.69 billion during the year 2009/10 which was 131.37 billion in the previous year. Out of the total growth in deposit of the banking industry in the review year, Rs. 71.98 billion was from private sector banks while public sector banks had negative growth of Rs. 5.29 billion.

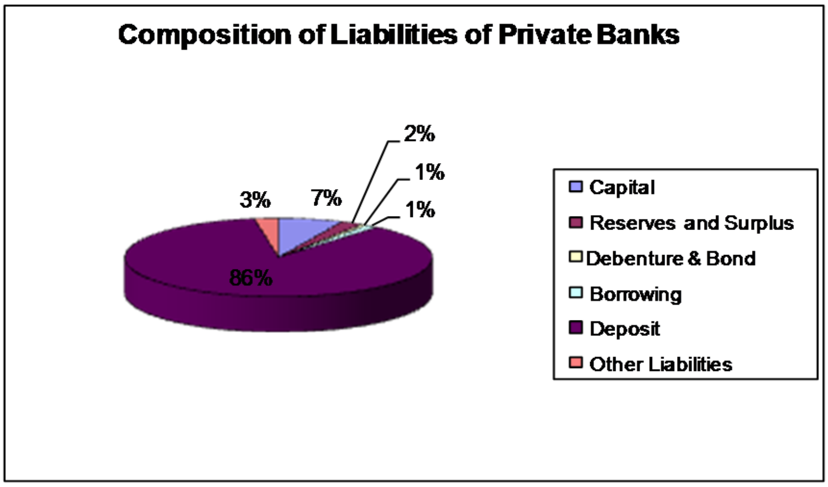
Table 5.2: Composition of Liabilities (mid July, 2010)

(Rs. in billion)

Capital and Liabilities	**Public**	**Private**	**Industry**
Share Capital	10.99 *(6.07)*	38.31 *(6.79)*	49.30 *(6.61)*
Reserves and Surplus	-13.59 *(-7.50)*	13.13 *(2.33)*	-0.46 *(-0.06)*
Debenture & Bond	2.30 *(1.27)*	3.73 *(0.66)*	6.03 *(0.81)*
Borrowing	6.42 *(3.55)*	7.23 *(1.28)*	13.66 *(1.83)*
Deposit	143.23 *(79.05)*	487.61 *(86.42)*	630.83 *(84.63)*
Other Liabilities	31.84 *(17.57)*	14.19 *(2.52)*	46.03 *(6.18)*
Total Liabilities	**181.19**	**564.20**	**745.39**

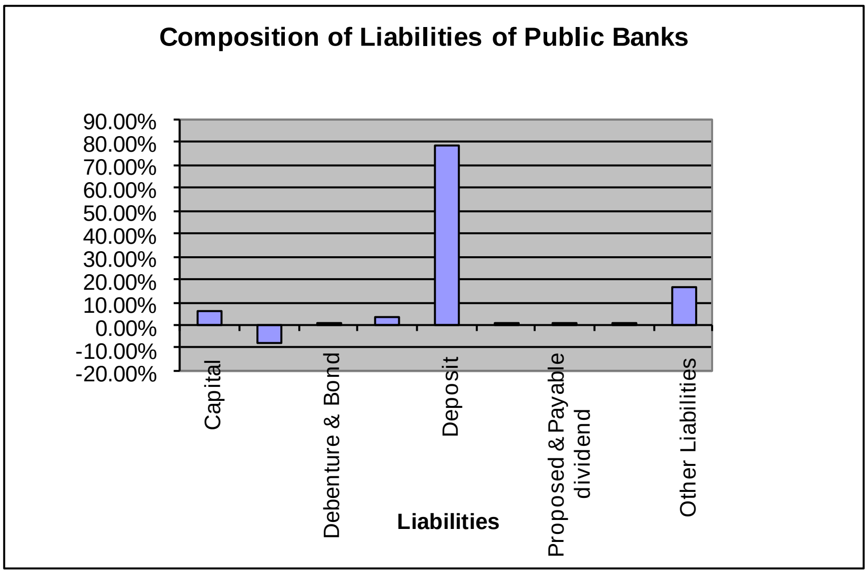
(Note: Figures in parenthesis indicate percent of the total)

Chart No. 7: Composition of Liabilities of Private Banks (mid July, 2010)



The analysis of the composition of liabilities of the private banks indicated a heavy concentration of 86.42 percent in the form of deposits while the capital, borrowings and others account for 6.79 percent, 1.28 percent and 5.50 percent respectively.

Chart No. 8: Composition of Liabilities of Public Banks (mid July, 2010)



The composition of liabilities of the public banks indicates a concentration of 79.05 percent in the form of deposits while the paid up capital, reserves, borrowing and others accounted for 6.07 percent, -7.50 percent, 3.55 percent and 18.84 percent respectively. The public banks had have Rs.2.3 billion funding from debenture and bond during the review period.

5.4 Capital

The consolidated capital of the Nepalese banking industry showed positive trend during the review year. The capital increased from Rs.9.38 billion in 2007/08 to Rs.32.67 billion in 2008/09 and Rs.48.84 billion in 2009/10. In the same year; the growth in capital of private banks increased by 26.49 percent to Rs.51.44 billion, whereas, it improved from negative Rs.8 billion to negative Rs.2.6 billion in public banks. However, due to the large volume of negative reserves of the two public banks, the capital base still is a long way to achieve minimum capital requirement.

Table 5.3: Total Capital Fund of the Commercial Banks

(Rs.in billion)

Banks	2005/06	Changes%	2006/07	Changes %	2007/08	Changes %	2008/09	Changes %	2009/10
Private	10.85	31.34	14.25	79.1	25.51	59.4	40.67	26.48	51.44
Public	-25.86	14.19	-22.19	27.30	-16.13	50.40	-8.00	67.5	-2.6
Industry	-15.01	47.10	-7.94	218.00	9.38	248.2	32.67	49.5	48.84

Due to the inherent problems and big chunk of NPA, the public sector banks suffered from massive losses in the past, which had adverse impact on the capital adequacy. Although, the public banks have started to improve their financial condition, it is a far cry from an acceptable standard. The two public banks, due to their size, had a relatively significant degree of sensitivity to the entire industry's capital.

The review of the individual banks capital adequacy, as at mid July 2010, reflected that most of the banks had complied with the statutory capital adequacy ratio of 10 percent. The banks with non-compliance were Rastriya Banijya Bank (-Rs.10.3 billion) and Nepal Bank Ltd (-Rs. 4.97 billion).

Table 5.4: Capital Adequacy Ratio of Banks (mid July, 2010)

(in percent of RWE)

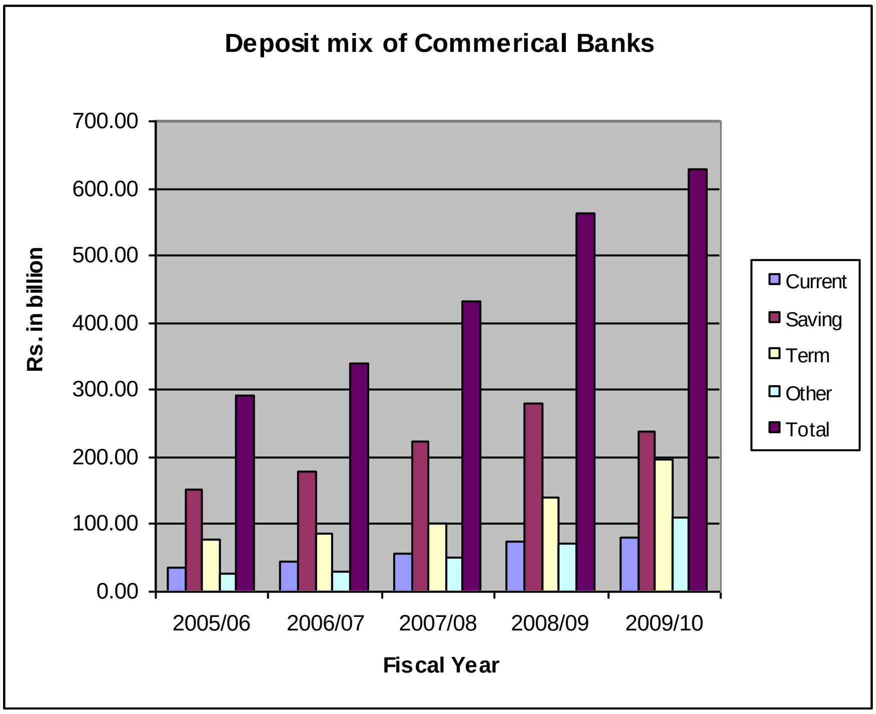
Capital	NBL	RBB	Nabil	NIB	SCBNL	HBL	NSBI	NBB	EBL
Core Capital	-11.17	-24.08	9.89	9.64	15.79	8.97	12.62	11.81	8.39
Total Capital Fund	-11.17	-24.08	11.61	11.69	17.78	11.02	14.14	12.87	10.56
Capital	**BOK**	**NCC**	**LBL**	**NIC**	**MBL**	**KBL**	**LxBL**	**SBL**	**ADBN**
Core Capital	10.04	12.99	22.35	13.41	10.30	11.21	12.46	8.68	13.68
Total Capital Fund	11.45	14.25	24.62	15.30	11.18	13.80	14.99	10.73	18.05
Capital	**GBL**	**CTBL**	**PCBL**	**BOA**	**SRBL**	**DCBL**	**NMB**	**Kist**	**JBL**
Core Capital	10.52	10.40	10.68	13.93	10.88	23.16	19.86	14.02	67.81
Total Capital Fund	11.36	11.26	11.68	14.68	11.47	24.03	20.68	14.83	67.81

The capital of the Nepalese banking industry depicted a favorable trend during 2009/10. There were various reasons for this improvement. The banks, during the period, on an average have performed well and some of them have raised capital from the market, which improved the overall capital position of the industry. All banks were able to post handsome profits. Some banks were able to distribute cash dividends and bonus shares to their shareholders. At the same time, some banks raised funds from the market through issuance of right shares during the year.

5.5 Deposit

Total deposit of the commercial banks increased by 11.82 percent to Rs.630.83 billion in mid July 2010 compared to a growth of 30.36 percent to Rs.564.14 billion in the previous year.

Chart No. 9: Deposits Mix of the Commercial Banks (Mid July, 2010)



The deposit of the banking industry had been dominated by the savings deposit and term deposits. The share of private banks' deposit on total deposit was in increasing trend for last five years. The private banks hold 77.18 percent of total deposit in mid July 2010, which was 73.67 percent in the previous year.

The savings deposit of the banking industry accounted for 37.88 percent of total deposits followed by term deposits, with a contribution of 31.49 percent.

5.6 Loans and Advances

Based on gross loan of the commercial banks, the loans and advances of the commercial banks increased by 15.42 percent to Rs.463.80 billion in 2009/10 compared to a growth of 28.13 percent in the previous year. The loan and advances of public banks increased by 12.26 percent to Rs.100.27 billion and private banks by 16.32 percent to Rs.363.53 billion respectively.

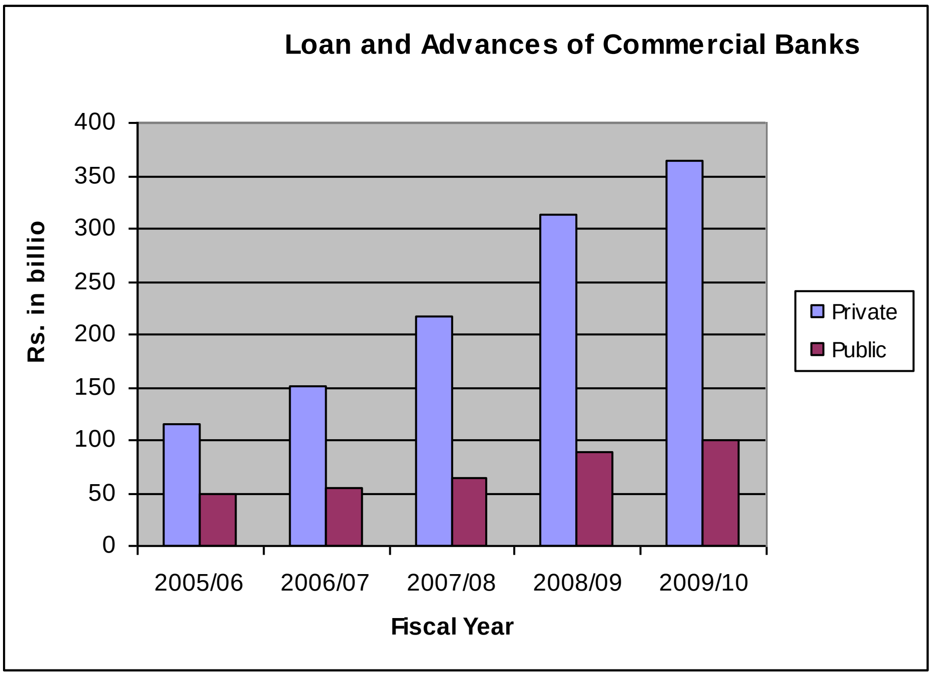
Table 5.5: Loans and Advances of the Commercial Banks

(Rs. in billion)

Banks	2005/06	Change %	2006/07	Change %	2007/08	Change %	2008/09	Change %	2009/10
Private	115.65	30.17	150.79	54.98	233.69	33.74	312.53	16.32	363.53
Public	49.29	14.29	55.64	43.67	79.94	11.73	89.32	12.26	100.27
Industry	164.94	25.15	206.43	51.93	313.63	28.13	401.85	15.42	463.80

Note: Data based on gross loan

Chart No. 10: Loan and Advances of Commercial Banks (mid July, 2010)



5.6.1 Sector wise Classification of Loans and Advances

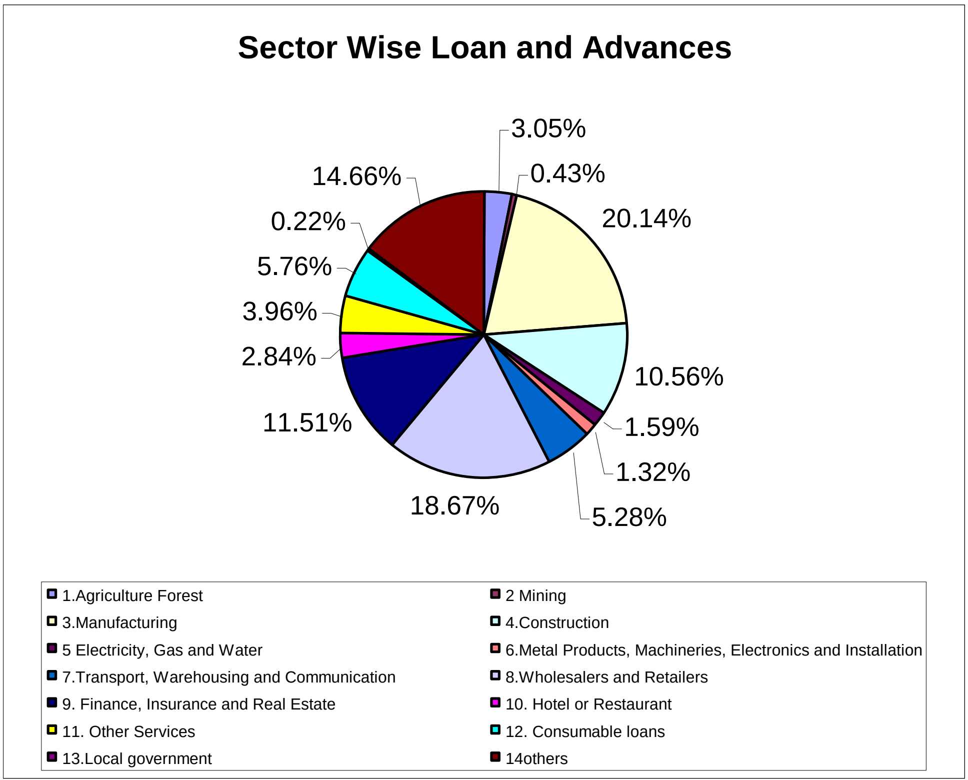
Total loan and advances disbursed in the various sectors of economy were compiled on the basis of the returns submitted by the commercial banks. As at mid July 2010, sector wise classification of total loan and advances of commercial banks are as follows:

Table 5.6.1: Sector wise Classification of Loans and Advances

Sector wise loan classification of loan & advances	% of Total Loan
1.Agriculture Forest	3.05
2. Fishery	0.00
3. Mining	0.43
4.Manufacturing	20.14
5.Construction	10.56
6. Electricity, Gas and Water	1.59
7.Metal Products, Machineries, Electronics and Installation	1.32
8.Transport, Warehousing and Communication	5.28
9.Wholesalers and Retailers	18.67
10. Finance, Insurance and Real Estate	11.51
11. Hotel or Restaurant	2.84
12. Other Services	3.96
13. Consumable loans	5.76
14.Local government	0.22
15.others	14.66
Total loan	**100.00**

Loans and advances disbursed in the manufacturing sectors was 20.14 percent of the total loan and advances as at mid July 2010. Similarly, sector wise concentration in wholesalers and retailers and other sectors were 18.67 percent and 14.66 percent respectively.

Chart No.11: Sector wise Loans and Advances



5.6.2 Security wise classification of loans & advances

Total loans and advances disbursed by the commercial banks are backed by the various securities. Following table shows the security wise classification of loans & advances. As at mid July 2010, highest percentage i.e 85.66 percent of total loans and advances were secured by assets (fixed and current assets). Similarly, securities like others and gold and silver took second and third position i.e.5.62 percent and 2.26 percent of the total loan and advances respectively.

Table 5.6.2: Security wise Classification of Loans and Advances

Security wise classification of Loan	Percent of Total Loan
1. Gold and silver	2.26
2. Government bonds	0.62
3. Non government securities	1.43
4. Fixed deposit	1.50
5. Collateral as Property	85.66
6. Security of Bills	0.98
Security wise classification of Loan	**Percent of Total Loan**
7. Guarantee	1.84
8. Credit/Debit Card	0.08
9. Others	5.62
Total	**100**

5.6.3 Product wise classification of loans & advances

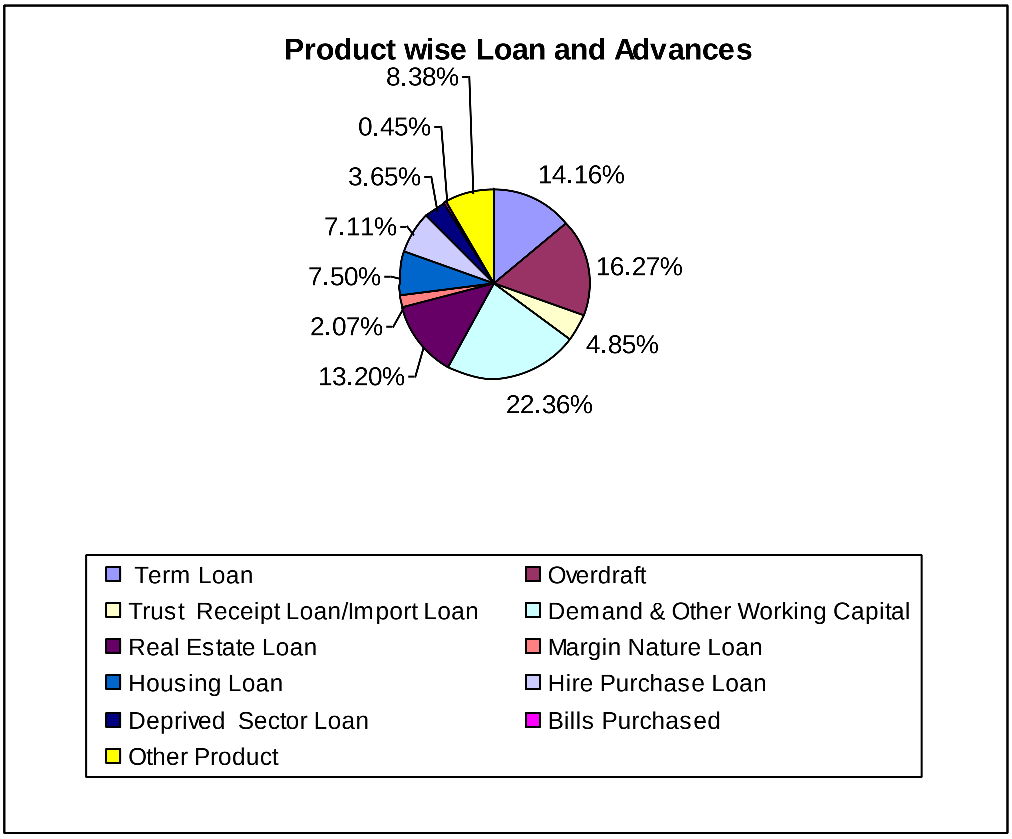
Nepal Rastra Bank has defined and classified the total loans and advances of the commercial banks on the basis of their loan products offered in the market. As at mid July 2010, product wise classification of total loans and advances is as follows:

Table 5.6.3: Product wise Classification of Loans and Advances

Loan Products	Percent of Total Loan
Term Loan	14.16
Overdraft	16.27
Trust Receipt Loan/Import Loan	4.85
Demand & Other Working Capital	22.36
Real Estate Loan	13.20
Margin Nature Loan	2.07
Housing Loan	7.50
Hire Purchase Loan	7.11
Deprived Sector Loan	3.65
Bills Purchased	0.45
Other Product	8.38
Total	**100**

Above table shows that Demand and Other working capital loan products occupy 22.36 percent the highest percent of total loan and advances. Similarly Overdraft and Term Loan are in the second and third position with 16.27 percent and 14.16 percent of the total loan and advances respectively.

Chart No. 12: Product wise Loans and Advances



Above chart shows the product wise classification of loan and advances. Demand and other working capital category covered the major portion of the chart, overdraft and term loan being second and third respectively.

5.7 Non-performing loan

The total volume of NPL as at mid July 2010 was Rs.12.42 billion, which was 2.68 percent of total loans and advances. The NPL declined by Rs. 2.18 billion in 2009/10 compared to a decline of Rs. 4.76 billion in 2008/09. Though the volume of non-performing loans declined, total loan outstanding was continuously increasing, thus resulting to a favorable proportion of NPL.

Table 5.7: Non-performing Loans of the commercial banks

(Rs. in billion)

Banks	2005/06	2006/07	2007/08	2008/09	2009/10
Private	8.38	8.89	7.22	4.96	4.38
Public	17.2	15.13	12.14	9.64	8.04
Industry	25.58	24.03	19.36	14.60	12.42

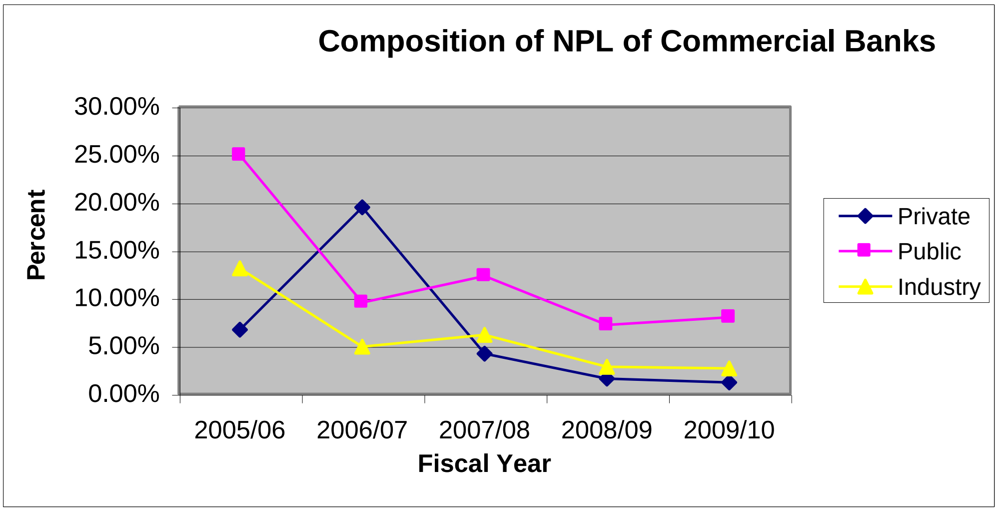
The non-performing loans of private banks were Rs.4.38 billion whereas that was Rs.8.04 billion in case of public banks in 2009/10. Still, public banks constituted the largest portion of total NPL in the commercial banks. With regard to NPL of the individual banks, Rastriya Banijya Bank Limited and Agriculture Development Bank Nepal constituted more than 5 percent of NPL.

Table 5.8: NPL Ratio of Public and Private Banks (Gross Loan Based)

(Rs. in billion)

Banks	2007/08		2008/09		2009/10	
	Gross Loan	NPL %	Gross Loan	NPL %	Gross Loan	NPL %
Private	233.69	3.09	312.53	1.59	363.53	1.21
Public	79.94	15.19	89.32	10.79	100.27	8.02
Industry	313.62	6.17	401.85	3.63	463.83	2.68

Chart no.13 : NPL Ratio of Public, Private &Industry (Gross Loan Based)



The high volume of Non Performing Loans is largely on account of the portfolio of the public banks.

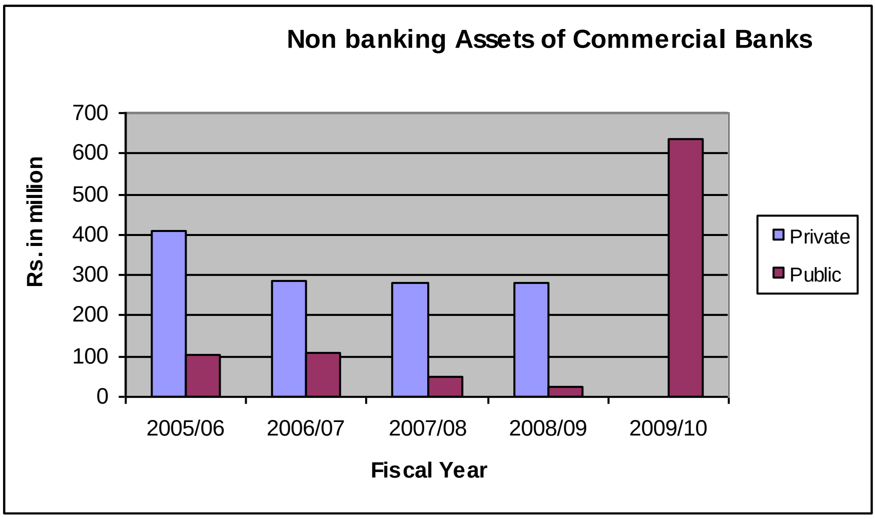
The volume of NPL, thus, needs to be broken down into the public banks and private banks, to better understand the reasons for the existing levels of NPL. The NPL ratio of the public banks is 8.02 percent in on Mid July 2010. Meanwhile, the NPL ratio of the private banks on Mid July 2010 is 1.21 percent.

According to Nepal Rastra Bank's directives issued to the banks, they are required to create loan loss provisions on the gross value of all outstanding loans in accordance with the quality of their loan portfolios. So, the public banks with large volumes of NPL maintained higher provisions in their balance sheets while the provisions of the private banks seemed relatively lower.

5.8 Non-Banking Assets

The assets that are taken over by the bank in course of the recovery in respect of the default by the borrowers are classified as non-banking Assets. The total amount of such assets on mid July 2010 was increased by 109.22 percent to Rs.634.37million in 2009/10. The increased non-banking assets in two public sector banks namely Nepal Bank Ltd. and Rastriya Banijya Bank Ltd attributed to this high increment.

Chart No. 14: Composition of Non banking Assets of the commercial banks

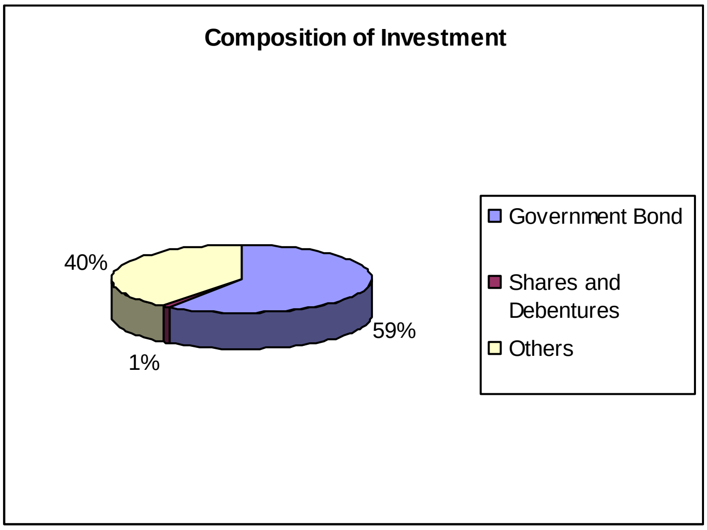


5.9 Investment

The investment activity of the Nepalese banks is found limited. The banks have been predominantly investing in the government securities like the treasury bills and government bonds. This investment in government securities provides liquidity benefits to the banks. The other areas of investment include inter-bank placement and investment in shares and debentures.

The total investment of commercial banks increased by 4.13 percent to Rs.136.17 billion in 2009/10 compared to a growth of 20.06 to Rs.130.77 billion in the previous year. The analysis of the composition of the investment of the commercial banks indicates a heavy concentration of 59.05 percent in the form of government bonds while the share & debenture and others account for 1.32 percent and 39.63 percent respectively. Banks are not allowed to invest in the shares and debentures of the Banks and the Financial Institutions licensed by Nepal Rastra Bank. This phenomenon has continuously propelled the proportion of investment in other investment to the total investment, upward.

Chart No. 15: Investment Portfolio of Banking Industry (mid July, 2010)



The analysis of the composition of the investment of the public banks indicated a heavy concentration on government bond i.e., 73.91 percent of total investment. Similarly, the share of shares and debenture in the public banks is 2.25 percent and other investment was 23.84 percent. While in private sector banks, the proportion of investment on government bond was only 56.03 percent of total investment. Similarly, investment on shares & debentures were 1.13 percent and 42.84 percent in other investment.

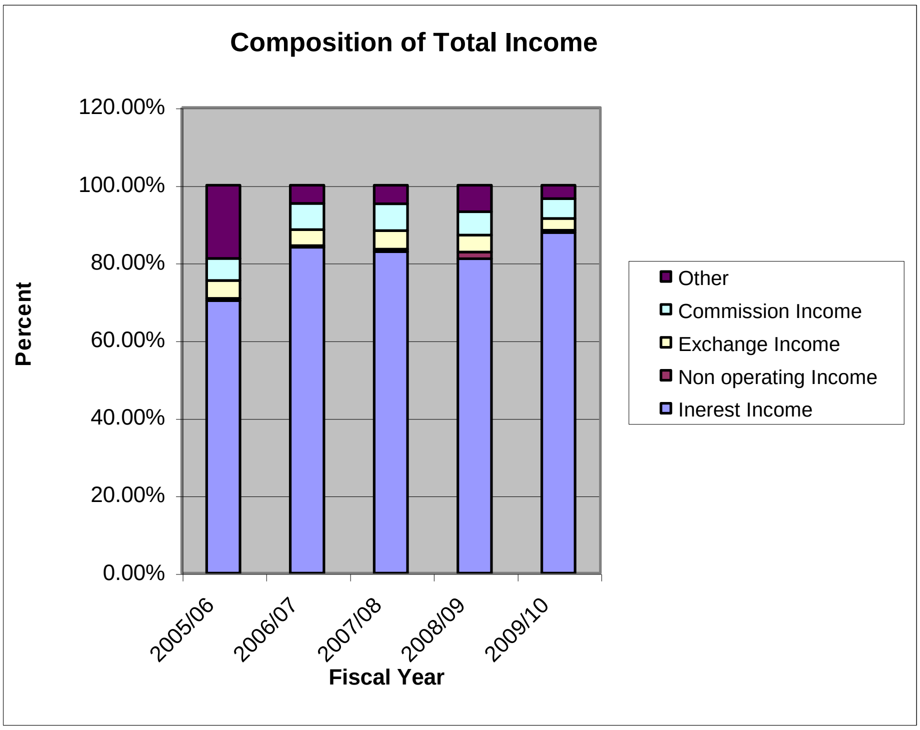
5.10 Earnings

The total income of the commercial banks increased by 35.28 percent to Rs.64.49 billion in 2009/10 compared to a growth of 40.96 percent to Rs.47.67 billion last period. Interest income, the significant proportion of income, constituted 87.81 percent of total income in the review year. The remaining portion was occupied by income from commission, other incomes, exchange income and non-operating income respectively.

All banks managed to earn profits during the review year. Rastriya Banijya Bank Limited booked the highest profit of Rs.2.01 billion during the review year. The return from loan loss provision contributed 59.75 percent of net profit in Rastriya Banijya Bank Limited. The public banks, namely RBBL and ADBN were the most profit earning banks.

Till 2002/03, the Nepalese banking industry was unprofitable because of the poor performance of two public banks. However, their performance after the re-structuring process had provided favorable results in terms of their profitability and the profitability of the industry, as a whole. The banks have managed to achieve profitability through higher interest income.

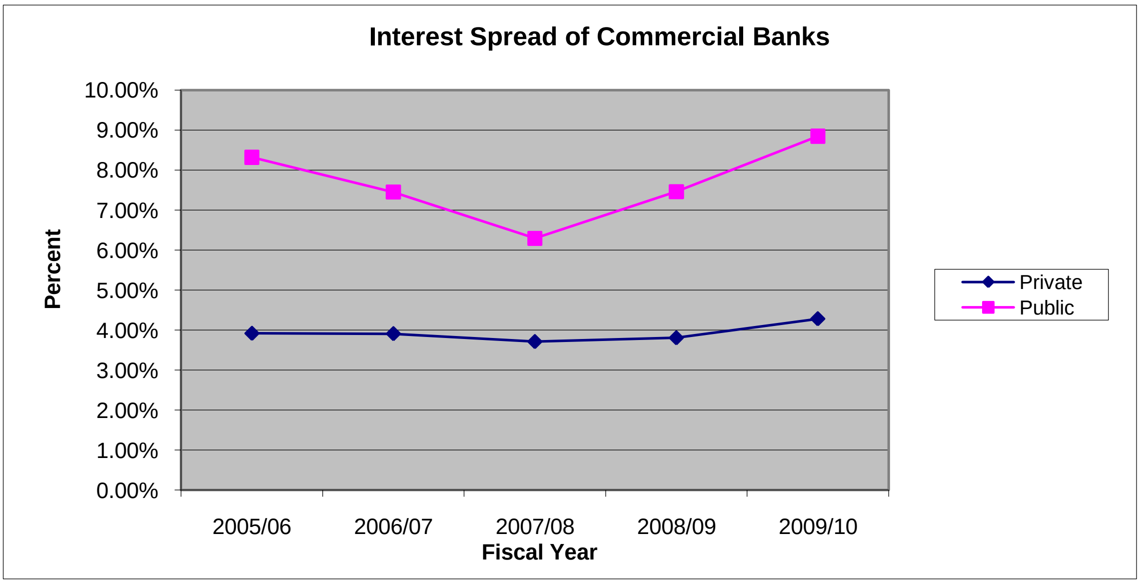
Chart No. 16: Composition of Total Income



The major contributing factor to profitability is the net interest income of the banks, computed as the surplus of interest income over the interest expenses. All of the banks, during 2009/10, were able to attain positive net interest income. All banks expect Nepal Bank Ltd. and ADBN have had positive operating profits, which was an effective measure of efficiency of banks operations. Nepal Bank Limited and ADBN with substantial amount of staff expenses (Rs.2.56 billion) and (Rs.2.68 billion) respectively and loan loss provision of Rs.2.82 billion in ADBN led these banks to huge operating loss.

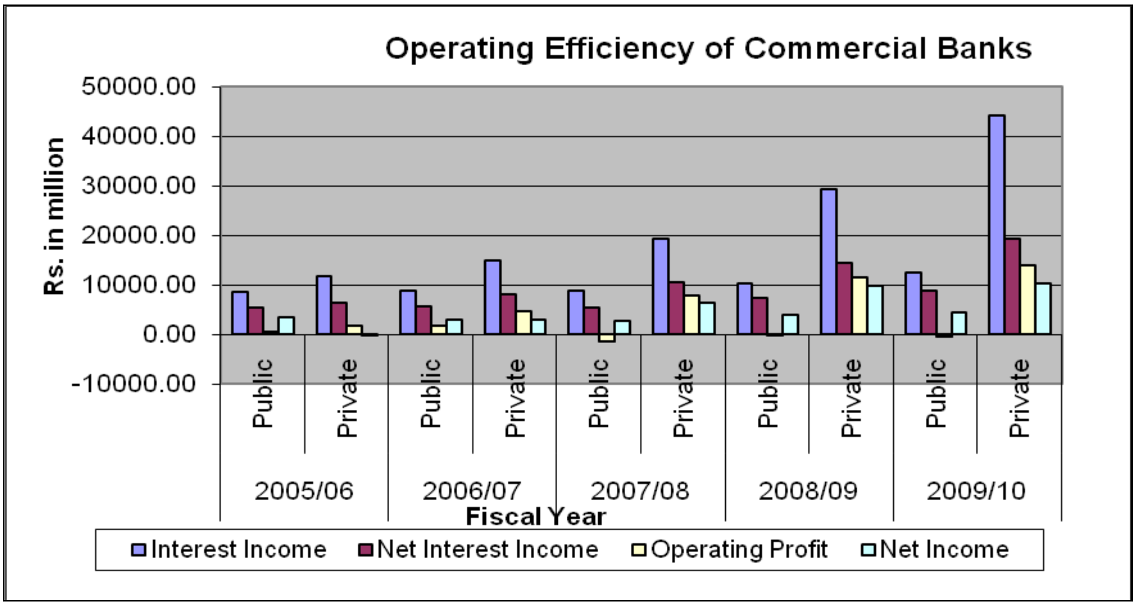
The weighted average interest spread of the public sector banks climbed to 5.26 percent in the review year from 4.75 percent of last year. The weighted average interest spread of the private sector banks increased to 4.28 percent from 3.81 percent of previous year. The inclining spread meant either the lower interest on deposit or higher interest on lending. In both cases, the banks have to be competitive enough to maintain or enhance profitability. The weighted average interest spread was observed in the range of minimum 2.38 percent to maximum 7.68 percent in the review year.

Chart No.17: Interest Spread of Banks



The net profit of the commercial banks increased by 7.17 percent to Rs.14.69 billion in 2009/10 compared to a growth of 51.12 percent in the previous year. Out of the total net profit, Rs.10.36 billion (70.53 percent) was contributed by private banks and remaining 4.33 billion (29.47 percent) by public banks.

Chart No. 18: Operating Efficiency of Banks



5.11 Liquidity

The banks should be able to honor the demand for payment to its depositors and its other commitments. In order to do so, banks should maintain certain volume of liquid assets, the size and volume determined by the bank's size of operations and the past trends. Commercial banks' liquid assets (including the investment in government security) registered a growth of 10.77 percent to Rs.189 billion in 2009/10 compared to a growth of 32.34 percent last year. The proportion of liquid assets to total deposits, as at mid July 2010, was 29.96 percent, which was 30.24 percent as at mid July 2009 and 29.79 percent in mid July 2008. The proportion of liquid assets to total assets, as at mid July 2010 was 25.37 percent, which was 26.01 percent in 2008/09 and 26.70 in 2007/08. The decreasing trend of the ratio in the last five years shows the weakening liquidity position of the banking industry and banks' intention to earn more profit.

Table 5.9: Movement in the Liquid Assets and Deposit of the Banks

(Rs. in billion)

Components	2005/06	2006/07	2007/08	2008/09	2009/10
Liquid Assets	83.56	108.46	128.88	170.62	189.70
Deposit	262.35	338.39	432.63	564.14	630.83
Liquid Assets/Deposit (%)	31.85	32.05	29.79	30.24	29.96

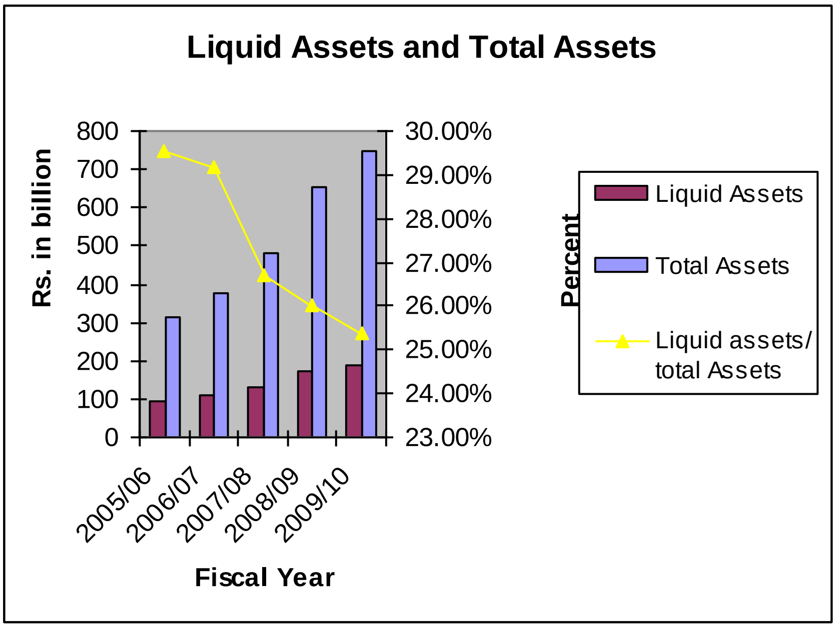
Table 5.10: Movement in the Liquid Assets and Total Assets of the Banks

(Rs. in billion)

Components	2005/06	2006/07	2007/08	2008/09	2009/10
Liquid Assets	92.23	109.35	128.92	170.62	189.70
Total Assets	312.09	374.79	482.89	655.85	745.39
Liquid Assets/Total Assets (%)	29.55	29.18	26.70	26.01	25.37

The Figure below also shows the deteriorating liquidity of the banking industry. The deposit had increased by 30.40 percent in 2008/09; however, it is increased only by 11.82 percent in 2009/10. Similarly, the downward liquid assets to deposit curve also shows the degrading liquidity position.

Chart No.19: Liquidity Position of the Commercial Banks



5.12 Interest Rates of Commercial Banks

Interest rates of the commercial banks as at mid July 2010 are shown in the following table. Saving rates offered by the commercial banks were in the range from 2 percent per annum to 12 percent per annum at the end of mid July 2010. Deposit rates in time deposits were observed to be in the range from 1.75 percent per annum to 13 percent per annum. Similarly, lending rates offered by the commercial banks were in the range from 4 percent to 18 percent per annum.

Table 5.11: Interest Rates of Commercial Banks

Deposit Rates (% per annum)	
Savings Deposits	2.0-12.0
Time Deposits	
1 Month	1.75-7.25
3 Months	1.75-9.5
6 Months	2.75-10.0
1 Year	4.75-11.5
2 Years and Above	5.0-13.0
Lending Rates (% per annum)	
Industry	8.0-13.5
Agriculture	9.5-13.0
Export Bills	4.0-18.0
Commercial Loans	8.0-14.0
Overdrafts	7.0-18.0

(Source: Nepal Rastra Bank, Research Department)

Chapter 6
Emerging Challenges in Banking Supervision in Nepal

6.16 Background

Nepal Rastra Bank has played an important role in the development and promotion of the banking system in Nepal since its establishment in 1956. Since its inception period, Nepal Rastra Bank has been formulating and implementing various policies to ensure financial stability and soundness in the system. The banking system is becoming more sophisticated in terms of innovation, service delivery and incessant change. In this changing context, developing a secure, healthy and efficient payment mechanism; ensuring stability in the system, promoting healthy competition, making effective banking supervision, and raising public confidence are the major challenges in Nepal Rastra Bank. This section outlines some of the trends seen in the Nepalese banking industry and the challenges posed to the NRB as the regulator and supervisor.

6.17 Rapid Growth of the Banking Sector

Nepalese banking sector gained momentum after the liberalization process started in mid-eighties. Rapid growth in term of number as well as transaction of the banks and financial institutions has been creating new challenges every year. Number of commercial banks in mid July 2010 reached to 27 from 5 in 1990. Similarly total assets of the commercial banks increased to Rs 787.11 billion in mid July 2010 from Rs 26.68 billion in mid July 1990.[♣] In the last decade, it is observed a huge change in the banking practices, banking regulation and supervision.

Such a rapid increase in the number and transaction volume of the players has introduced the growing competitive pressures in the banking system. Banks and financial institutions have limited their activities in the urban and semi urban areas despite a very low level of financial access in the remote and rural parts of the economy. Uneven geographical distribution of the banks has further increased the level of competition in the urban areas.

Banking business has been becoming more complex and challenging along with the use and introduction of modern technology, service proliferation and rising cutthroat competition. Such a challenge demands for the increasing role of financial market players and all stakeholders as well. Domestically, there are challenges to address issues raised by the rapid pace of the banking sector; on the other hand there is a need of cautiousness towards any possibilities of transmission of vulnerabilities observed during the recent global financial crisis.

As a result of the rapid growth, overall risk exposure of the commercial banks is also increasing day by day. Some banks are facing the problem of a repeated

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[♣] *Vol.46, Quarterly Economic Bulletin, Mid January 2010- Mid July 2010* liquidity shortfall. Asset quality of some banks seems to be degrading due to their exposure in real estate and shares. Moreover, stagnant price of the assets has further looming the position of the commercial banks. There is an urgent need for continuous improvement in the assets liability management of banks to cope with their increasing exposure in the unproductive sectors of the economy. The issues in liquidity management, assets quality and profitability are challenging to make commensurate with the growth of the financial sector.

6.18 Reform Process of State owned Banks

Nepal Bank Limited and Rastriya Banijya Bank are the two commercial banks with government ownership, which is bearing a huge accumulated loss. These banks are facing the problem of significant loss of capital, weak assets quality, low profitability, over-staffing and less efficiency in overall management. Reform measures were initiated to improve the condition of these banks since 2002. After the several efforts, some positive signs of reform were observed. However, the outcomes are not up to the desired level. Still these banks have their capital level below the minimum requirement set by Nepal Rastra Bank.

It is challenging for the NRB to improve the capital position including overall functioning of public banks. The human resources of these banks need to be trained and upgraded. The numbers of staff are relatively very high which show a big deal of inefficiency inherent. Therefore, it is challenging on the part of the NRB to provide same level playing field to all commercial banks and ensure competitiveness through non-discriminated manner.

6.19 Supervision of Large Bank

Some of the Nepalese banks are in the race of aggressive growth in terms of their transactions volume including asset portfolio. After the involvement of the private sector in the Nepalese banking, some banks have grown in a rapid pace and turned into systemically large bank to make a significant impact in the financial system. Such banks have a large transaction with wide network and financial interconnectedness; it may lead to contagion effect. Supervisory approach is still similar to all the existing commercial banks. It is necessary to impose prudential requirements on banks commensurate with their systemic importance. There is a need of special arrangement to reduce the inherent risks associated with systemically important financial institutions.

It has been a challenge to introduce regulations, to develop infrastructure and to supervise with special monitoring of these types of Systemically Important Financial Institution (SIFI), which are considered to be “too big to fail”.

6.20 Enhancing Corporate Governance in Commercial Banks

Banks are the institutions having interest of large number of stakeholders. There are shareholders, depositors, creditors, board members, employees and community as well. Appropriate level of fairness, accountability and transparency is expected from the operation of banking business. Balancing the expectations of all the stakeholders is a challenging job for the bank management. In addition to the appropriate level of corporate governance, banks need to have in place a comprehensive risk management framework to identify, measure, monitor and control all other material risks. It emphasizes the board level and senior management oversight for the sound risk management practices in the banks. The board needs a range of skills and understanding to be able to deal with banking business issues and have the ability to review the performance of management. Board needs to have an appropriate level of commitment to fulfill its responsibilities and duties. To ensure sound practice of corporate governance in the bank, board of directors and senior management need to be well equipped with adequate knowledge and experience in the banking sector.

Nepal Rastra Bank has issued prudential regulations on corporate governance. These regulations require the banks to maintain minimum standards for the operation of the banking business. In addition to the compliance of the regulations, it is expected to maintain sound corporate governance as directed and guided by the principles and international best practices. Majority of the boards of directors are from business backgrounds with no prior banking knowledge and experience. The directors with experience of banking and government employee hold the second and third position. Almost half of the directors are from the business sector. As they are the largest fund user of the commercial banks, it posses the challenges to ensure sound corporate governance in banking sector.

6.21 Developing and Retaining Human Resources

Rapid growth of the banking system demands for competent human resources to cope with the challenges of modern dynamic environment. As banking activities are expanding in terms of number and volume of the transactions, there is a high demand of skilled and competent manpower. High staff turnover and mobility of bank employee from one bank to another has been a regular practice in the banking sector. To address the issues of human resource development in line with the growth is also a challenge.

6.22 Strengthening Supervisory Capacity

Increasing number of banks, their size and complexity has followed by new practices, innovations and change. Supervisory capacity should be in line with the change in the business environment. It is eminent to increase the capacity of supervisors both in terms of number and quality. The supervisors need to be adequately trained and well equipped with necessary resources and tools for effective regulation and supervision of bank and financial institutions. In order to ensure an effective supervision in such a scenario, it is vital that supervisors are competent and efficient in discharging their duties.

Supervisory capacity should be strengthened to ensure safety and soundness in the banking system. Strong bank supervision contributes towards the goal of maintaining and enhancing the public confidence in the banking system. The dynamic state of banking emphasizes the importance of the competency and skills of the banks supervisors. Early detections of problems and timely resolutions can be assured only when Bank Supervision Department is well equipped with competent supervisors. Supervisors need to be well equipped with skills, resources and technical competence in overall aspects of banking. With the increasing number of banks in the system, there is a need of strong enforcement and continuity of enforcement in bank supervision. Moreover, supervisors require technical competency in System Audit of the banks, as there is a rapid development in information technology.

Bank Supervision Department has been providing various prospects for developing the skills of the supervisors through participations in trainings, seminars both at national and international level. The capacity building is a continuous exercise and efforts should be made to ensure that supervisors must be able to meet the challenge of today and tomorrow as well.

6.23 Adopting International Best Practices

Banking business is turning into a global network of complex financial relationships. Nepalese banking system is integrating into global financial system day by day. In this context, it is necessary to adopt established principles and best practices developed in the global financial system. Nepal is in the gradual process of implementing Basel Core Principles and most of the principles are adopted and adjusted in the national legislation, prudential regulations, directives and guidelines. Still there are some principles which are to be adopted. Nepal has implemented new capital adequacy framework based on the Simplified Standardized Approach of Basel II. Offsite supervision has developed and implemented Early Warning Signals (EWS) to monitor the performance as well as compliance status of the Banks. Prompt Corrective Actions (PCA) are defined and enforced through PCA byelaws. Risk Management Guidelines are designed and implemented incorporating broader guidelines and minimum standard for risk management based on the BCBS principles. But there is still a challenging task to move toward Risk Based Supervision (RBS) approach, developing macro prudential supervision framework, introducing forward-looking approaches to prevent the system from systemic crisis. Bank regulators and supervisors always have a challenge to acquire knowledge, skills and resources to adapt continuous change and development in the global supervisory approaches.

6.24 Promoting Self Regulation in Banking

Banks and financial institutions are risk-taking businesses. Risk is taken for the expectation of reward from the business. Risk taking behavior should be well supported by adequate level of sound risk management practices. Large number of stakeholders are involved in a bank; the interest of all the stakeholders should be matched. Some stakeholder at the cost of others should not exercise risk-taking activities. Therefore, risk management function is regarded as the prime responsibility of the board of directors of the banks. Principles on risk management require a bank should have adequate practices of board and senior management oversight, policies, procedures, limits, internal control and sound risk management practices in the baking business. Banks with adequate level of sound practices in risk management can promote self-regulation in banking. Nepalese banks and financial institutions are still dependant on Nepal Rastra Bank for the adaptation and implementation of international best practices. It is expected that bank should initiate the process to exercise the international best practices in the issues like corporate governance, risk management process, corporate social responsibilities beyond the minimum standard set by prudential regulations. Thus, promoting self-regulation in the Nepalese banking sector is another challenge for ensuring "Self Regulation is the Best Regulation."

6.25 Contingency Planning and Supervisory Strategies

The banking sector is growing rapidly and new entrants are increasing the risk profile of the system. As Nepalese economy is integrating into global financial system gradually, it is exposed to external risk from the global financial crisis and internal macroeconomic vulnerabilities, which may destabilize the financial system and trigger a systemic crisis. To manage these risks more effectively, it is necessary to strengthen supervisory capacity with the adequate supervisory approaches, tools and techniques. It is felt necessary to have a crisis management framework (contingency plan) to resolve the Problem Bank in a systematic way. Bank supervisors should be well equipped with the strategies and framework for managing crisis situation with a step-by-step implementation plans for each and every resolution option.

6.26 Institutional Set up and Capacity Building

Bank supervision becomes stronger when there is a strong support and coordination of other institutional setup in the financial system. Strengthening Credit Information System (CIC) and Debt Recovery Tribunal (DRT) are supporting institutions for the development of strong financial system. Similarly Credit Rating

Agency (CRA), Assets Management Company (AMC) and implementing Deposit Insurance in commercial banks are required for a strong financial system in Nepal.

6.27 Management Information System (MIS) & Monitoring

Supervisory strength depends on the timely collection, analysis and interpretation of the financial data. Strong management information system is required to trace the problem timely, to develop early warning signals and to take action in a promptly basis. Supervisors have to develop a mechanism to monitor data related to liquidity and capital of the financial institutions, on a regular basis. Strengthening MIS and monitoring system in line with the rapid growth of the market is another challenge. It is necessary to develop strong MIS for monitoring overall banking system on regular basis.

6.28 Challenging Macroeconomic Environment

Nepalese economy is experiencing a weak performance indicated by the overall macroeconomic variables. Low economic growth, high inflation, unfavorable balance of payments, high proportion of consumption in GDP, low rate of saving, lack of investment friendly environment, energy crisis and weak industrial relationship are some of the challenges of Nepalese economy. In this context, overall business environment signals symptoms of reduced business confidence and weakened investment climate in the economy. Due to these several reasons, various sectors of the economy like agriculture, industry and services are achieving low level of growth. It seems that the growth of banking sector has not yet made significant contribution in the growth of the overall economy. Thus, there is also a challenge to channelize the resources towards productive economic activities for the sustainability of the banking sector and economy as a whole.

6.29 Changing Global Scenario

Global scenario is changing in a rapid pace. Banking practices, financial relationships, tastes and preferences of customers, product structures are changing in short span of time. Supervisory efforts should be directed towards managing change with the change in the global economic context in which banks operate. Technological innovation, development and global market forces are rapidly shaping the structures of banking system. Banking activities are extending beyond the national boundaries. It has increased financial inter-connectedness and contagion effect among the market players. Supervisory approaches are moving towards consolidated, cross-boarder and macro prudential supervision. Gradual integration of the Nepalese banking into the global financial system has further increased the need for supervisory capacity enhancement. In this backdrop, Bank Supervision Department has a challenge of managing the change-pressure brought in by the global financial environment.

6.30 Low Level of Non Performing Assets

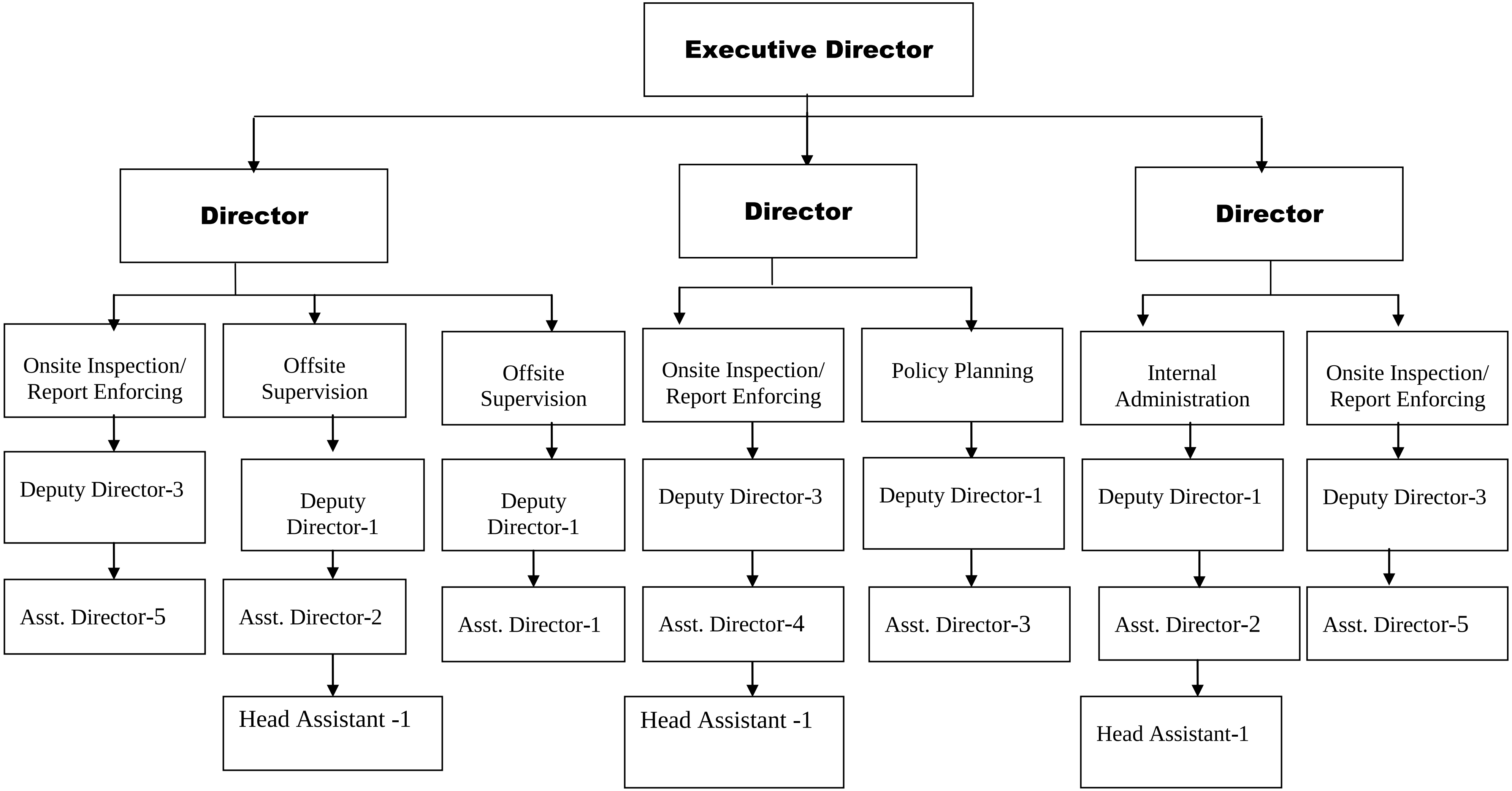
Growing number of banks and financial institutions has created a pressure of an unhealthy competition. Other sectors of the economy are not performing well since overall investment environment is not favorable. Limited number of good borrowers in the one hand as well as rising competition on the other has created the situation of cutthroat competition. Overall macro-economic indicators seem to be deteriorating since the last decade but the non-performing assets of the banks is decreasing at an incredible pace. Such scenario indicates that there might be the practice of loan ever greening to bring the NPA at a minimum level.

Appendix: 1
International Training and Seminar Participation from BSD

S. No.	Program	Organizer	Particip ants	Duration	Country
1	FSI-EMEAP High level Meeting on Lessons Learned From the Financial Crisis	FSI/BIS	1	7 days	Japan
2	Lesson Learned from the Financial Crisis and Repercussions for the Asia-Pacific region	SEACEN	1	8 days	Malaysia
3	Symposium and Annual Meeting of SEANZA Forum	Bank of Thailand	1	8 days	Thailand
4	Intermediate Course on Banking Supervision and financial Stability: Stress Testing	SEACEN	1	8 days	Malaysia
5	Exposure Visit of RBI on Risk Based Supervision Framework	RBI	1	9 days	India
6	Banking Supervision on Credit Risk in Pillar I & II	SEANZA	1	8 days	China
7	SEACEN Course on Crisis Preparedness in Interconnected Markets	SEACEN	2	9	Malaysia
8	APEC Financial Regulators Training initiative Regional Seminar on Investigation and Enforcement	ADB	2	9 days	Malaysia
9	SEACEN- Federal Reserve System Course on Principles of Asset/Liability Management (PALM)	SEACEN	1	14 days	Cambodia
10	5th SEACEN-OSFI Course on the Integration of Pillar 2 Supervisory Review Process into a Risk-Based Supervisory Regime	SEACEN	2	10 days	Vietnam
11	Seminar on Financial System Overview	SEACEN	1	5 days	Malaysia
12	MAS Information Technology Supervision Workshop	MAS	1	9 days	Singapore
13	Anti Money Laundering and Combating the Financing of Terrorism	Joint IMF/ITP	1	9 days	India
14	Supervision: Advanced Credit risk Measurement and Management	SEACEN	1	7 days	Thailand
	Total		17		

Appendix: 2

Organization Chart of Bank Supervision Department



Appendix: 3
Useful Web links 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

Appendix 4 : Excerpts of Audited Financial Statements of Commercial Banks

1. Nepal Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	380,383	380,383	380,383	380,383	380,400
Reserves and Surplus	(6,681,838)	(6,627,898)	(6,388,684)	(5,234,694)	(5,232,200)
Debenture & Bond	-	-	-	-	-
Borrowing	1,717,442	1,604,868	1,820,089	1,970,675	2,125,100
Deposit	35,829,765	39,014,204	41,829,391	45,194,232	42,129,900
Bills Payable	100,984	60,726	52,342	12,016	47,100
Proposed & Payable dividend	1,115	2,083	2,067	2,065	2,000
Tax Liabilities	-	-	-	-	130,600
Other Liabilities	4,571,054	4,824,427	4,357,856	5,234,433	3,490,800
Total Liabilities	**35,918,905**	**39,258,793**	**42,053,444**	**47,559,110**	**43,073,700**
Cash Balance	1,110,953	1,086,067	1,181,792	1,515,655	1,573,700
Balance with NRB	5,353,964	5,224,859	4,430,641	6,619,700	7,350,200
Balance with Banks	709,140	806,367	1,004,559	1,036,435	1,044,700
Money At call	-	200,000	-	400,000	-
Investment	14,490,247	16,072,180	16,570,755	13,397,559	5,815,800
Loan and Advances	9,756,163	11,058,478	13,251,963	17,614,899	23,546,800
Fixed Assets	191,706	205,768	207,528	249,393	327,900
Non- Banking Assets	7,982	-	-	-	435,300
Other Assets	4,298,750	4,605,074	5,406,206	6,725,469	2,979,300
Total Assets	**35,918,905**	**39,258,793**	**42,053,444**	**47,559,110**	**43,073,700**
Interest Income	2,049,030	1,848,612	2,094,906	2,690,058	2,865,100
Interest Expenses	774,325	772,644	772,657	791,710	764,400
Net Interest Income	**1,274,705**	**1,075,968**	**1,322,249**	**1,898,348**	**2,100,700**
Commission and discount	177,784	181,019	229,724	273,106	220,700
Other Operating Income	140,843	287,648	157,432	156,757	-
Exchange Income	121,337	-	119,407	89,209	23,600
Total Operating Income	**1,714,669**	**1,544,635**	**1,828,812**	**2,417,420**	**2,345,000**
Employees Expenses	1,067,634	1,125,224	1,346,824	1,640,565	2,566,100
Other Operating Expenses	428,651	258,554	259,786	297,015	255,100
Exchange Loss	-	46,279	-	-	-
Operating Profit Before Provision	**218,384**	**114,578**	**222,202**	**479,840**	**(476,200)**
Provisions for possible losses	607,483	80,376	258,572	334,315	55,600
Operating Profit	**(389,099)**	**34,202**	**(36,370)**	**145,525**	**(531,800)**
Non-Operating Income/ Expenses	22,905	50,389	67,942	57,526	-
Return From Loan Loss Provision	1,813,642	-	134,362	676,372	748,700
Profit From Ordinary activities	**1,447,448**	**84,591**	**165,934**	**879,423**	**216,900**
Extra ordinary Income /Expenses	(119,457)	165,057	179,996	165,144	213,900
Net Profit including all activities	**1,327,991**	**249,648**	**345,930**	**1,044,567**	**430,800**
Provision For Staff Bonus	120,726	22,695	31,448	94,960	-
Provision For Income Tax	-	-	75,268	55,353	2,200
-This Year	-	-	-	-	-
-Up to Last Year	-	-	-	-	-
Net Profit / Loss	**1,207,265**	**226,953**	**239,214**	**894,254**	**428,600**
Financial Indicators					
Core Capital to Risk Weighted Assets	-40.44%	-37.97%	-33.05%	-13.94%	-11.74%
Capital Fund to Risk Weighted Assets	-43.09%	-38.83%	-35.46%	-13.94%	-11.74%
Non-Performing Loan to Total Loan	18.18%	13.49%	12.38%	4.94%	4.98%
Weighted Average Interest Spread	3.16%	4.51%	4.82%	6.45%	6.14%
Net Interest Income (Rs. in thousand)	1,274,705	1,075,968	1,322,249	1,898,348	2,100,700
Return on Assets	3.36%	0.58%	0.57%	1.88%	1.00%
Credit to Deposit	34.72%	35.26%	37.69%	43.28%	59.52%
Liquid Assets to Total Assets	65.69%	47.56%	42.94%	42.41%	32.92%
Liquid Assets to Total Deposit	65.86%	47.86%	43.17%	44.63%	33.66%

2. Rastriya Banijya Bank

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	1,172,300	1,172,300	1,172,300	1,172,300	1,172,300
Reserves and Surplus	(19,890,877)	(18,391,801)	(16,632,278)	(13,133,193)	(9,789,377)
Debenture & Bond	-	-	-	-	-
Borrowing	4,357,727	2,219,603	2,517,009	3,873,598	4,039,791
Deposit	46,195,482	50,464,128	64,340,951	68,160,927	68,623,160
Bills Payable	40,721	63,707	68,180	68,605	31,360
Proposed & Payable dividend	39,350	47,220	55,090	62,960	86,687
Tax Liabilities	-	-	--	-	29,186
Other Liabilities	7,964,916	10,564,489	1,783,670	8,509,150	19,904,757
Total Liabilities	**39,879,619**	**46,139,646**	**53,304,922**	**68,714,347**	**84,097,864**
Cash Balance	1,202,152	1,897,762	8,640,723	2,014,077	1,674,650
Balance with NRB	3,867,105	3,708,616	3708616	8,412,752	8,264,580
Balance with Banks	159,565	197,157	197157	1,344,468	1,648,219
Money At call	-	20,000	550,000	-	-
Investment	11,555,358	12,650,196	14,443,378	15,416,020	12,989,463
Loan and Advances	14,633,545	17,328,731	21,202,987	26,187,931	30,254,069
Fixed Assets	420,849	439,505	465,553	452,209	890,805
Non- Banking Assets	97,945	110,137	51,453	23,317	199,077
Other Assets	7,943,100	9,787,542	7,950,828	14,863,573	28,177,001
Total Assets	**39,879,619**	**46,139,646**	**53,304,922**	**68,714,347**	**84,097,864**
Interest Income	2,282,825	2,356,940	2,708,764	3,444,188	4,207,610
Interest Expenses	850,136	942,751	1,025,586	1,067,779	1,386,980
Net Interest Income	**1,432,689**	**1,414,189**	**1,683,178**	**2,376,409**	**2,820,630**
Commission and discount	289,578	343,561	430,618	577,560	608,261
Other Operating Income	109,675	123,249	157,070	195,561	177,270
Exchange Income	73,950	-	-	32,098	53,215
Total Operating Income	**1,905,892**	**1,880,999**	**2,270,866**	**3,181,628**	**3,659,376**
Employees Expenses	745,187	789,042	875,656	1,389,012	1,629,244
Other Operating Expenses	288,625	357,753	329,090	393,316	417,546
Exchange Loss	-	12,933	30,484	-	13,067
Operating Profit Before Provision	**872,080**	**721,271**	**1,035,636**	**1,399,300**	**1,599,519**
Provisions for possible losses	662,879	386,922	425,542	481,042	286,546
Operating Profit	**209,201**	**334,349**	**610,094**	**918,258**	**1,312,973**
Non-Operating Income/ Expenses	27,233	31,334	13,872	60,887	97,738
Return From Loan Loss Provision	1,515,763	1,224,604	1,134,290	1,331,959	1,201,493
Profit From Ordinary activities	**1,752,197**	**1,590,287**	**1,758,256**	**2,311,104**	**2,612,204**
Extra ordinary Income /Expenses	(33,390)	155,976	152,018	138,356	(2,219)
Net Profit including all activities	**1,718,807**	**1,746,263**	**1,910,274**	**2,449,460**	**2,609,985**
Provision For Staff Bonus	127,319	129,353	141,502	181,441	193,332
Provision For Income Tax	-	-	-	344,337	405,966
-This Year	-	-	-	-	-
-Up to Last Year	-	-	-	-	-
Net Profit / Loss	**1,591,488**	**1,616,910**	**1,768,772**	**1,923,682**	**2,010,687**
Financial Indicators					
Core Capital to Risk Weighted Assets	-56.25%	-44.40%	-38.17%	-38.37%	-24.08%
Capital Fund to Risk Weighted Assets	-55.54%	-43.53%	-37.19%	-38.37%	-24.08%
Non-Performing Loan to Total Loan	37.09%	28.63%	21.43%	15.64%	9.78%
Weighted Average Interest Spread	5.81%	4.55%	4.91%	5.57%	6.19%
Net Interest Income (Rs. in thousand)	1,432,689	1,414,189	1,683,178	2,376,409	2,820,630
Return on Assets	3.37%	3.14%	2.99%	2.84%	2.39%
Credit to Deposit	50.32%	49%	47.26%	46.37%	51.90%
Liquid Assets to Total Assets	35.33%	34.35%	36.71%	31.73%	34.74%
Liquid Assets to Total Deposit	30.53%	31.00%	30.41%	31.13%	42.57%

3. Nabil Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	491,654	491,654	689,216	965,747	2,028,773
Reserves and Surplus	1,383,340	1,565,395	1,747,983	2,164,494	1,805,452
Debenture & Bond	-	-	240,000	300,000	300,000
Borrowing	173,202	882,573	1,360,000	1,681,305	74,900
Deposit	19,347,399	23,342,285	31,915,047	37,348,256	46,340,701
Bills Payable	112,607	83,515	238,422	463,139	425,444
Proposed & Payable dividend	435,084	509,418	437,373	361,325	434,737
Tax Liabilities	34,605	-	38,777	80,232	24,904
Other Liabilities	352,080	378,553	465,941	502,900	644,814
Total Liabilities	**22,329,971**	**27,253,393**	**37,132,759**	**43,867,398**	**52,079,725**
Cash Balance	237,819	270,407	511,426	674,395	635,987
Balance With NRB	318,359	1,113,415	1,829,471	2,648,596	549,454
Bank Balance with Banks	74,061	16,003	330,244	49,521	214,656
Money At call	1,734,902	563,533	1,952,361	552,888	3,118,144
Investment	6,178,533	8,945,311	9,939,771	10,826,379	13,600,917
Loan and Advances	12,922,543	15,545,779	21,365,053	27,589,933	32,268,873
Fixed Assets	319,086	286,895	598,039	660,989	781,480
Non- Banking Assets	-	-	-	-	-
Other Assets	544,668	512,050	606,394	864,696	910,214
Total Assets	**22,329,971**	**27,253,393**	**37,132,759**	**43,867,398**	**52,079,725**
Interest Income	1,309,999	1,587,759	1,978,696	2,798,486	4,047,725
Interest Expenses	357,161	555,710	758,436	1,153,280	1,960,108
Net Interest Income	**952,838**	**1,032,049**	**1,220,260**	**1,645,206**	**2,087,617**
Commission and discount	138,294	150,608	156,234	179,693	215,482
Other Operating Income	82,898	87,574	97,444	144,164	169,548
Exchange Income	185,484	209,926	196,487	251,920	291,441
Total Operating Income	**1,359,514**	**1,480,157**	**1,670,425**	**2,220,983**	**2,764,088**
Employees Expenses	219,781	240,161	262,907	339,898	367,162
Other Operating Expenses	182,696	188,183	220,750	265,158	334,669
Exchange Loss	-	-	-	-	-
Operating Profit Before Provision	**957,037**	**1,051,813**	**1,186,768**	**1,615,927**	**2,062,257**
Provisions for possible losses	3,770	14,206	64,055	45,722	355,829
Operating Profit	**953,267**	**1,037,607**	**1,122,713**	**1,570,205**	**1,706,428**
Non-Operating Income/ Expenses	735	5,281	24,084	2,190	6,455
Return From Loan Loss Provision	7,729	10,926	11,101	10,618	39,791
Profit From Ordinary activities	**961,731**	**1,053,814**	**1,157,898**	**1,583,013**	**1,752,674**
Extra ordinary Income /Expenses	26,074	40,736	39,991	43,522	34,322
Net Profit including all activities	**987,805**	**1,094,550**	**1,197,889**	**1,626,534**	**1,786,996**
Provision For Staff Bonus	89,800	99,504	108,899	147,867	162,518
Provision For Income Tax	262,741	321,087	342,522	447,615	485,907
-This Year	-	-	-	-	-
-Up to Last Year	-	-	-	-	-
Net Profit / Loss	**635,264**	**673,959**	**746,468**	**1,031,053**	**1,138,571**
Financial Indicators					
Core Capital to Risk Weighted Assets	10.78%	10.40%	8.75%	8.74%	8.77%
Capital Fund to Risk Weighted Assets	12.31%	12.04%	11.10%	10.70%	10.50%
Non-Performing Loan to Total Loan	1.38^	1.12%	0.74%	0.80%	1.47%
Weighted Average Interest Spread	4.90%	4.15%	3.94%	4.16%	4.40%
Net Interest Income (Rs. in thousand)	952,838	1,032,049	1,220,260	1,645,206	2,087,617
Return on Assets	6.23%	2.72%	2.32%	2.55%	2.37%
Credit to Deposit	68.63%	68.13%	68.18%	73.87%	69.37%
Liquid Assets to Total Assets	20.90%	24.85%	25.07%	17.40%	23.92%
Liquid Assets to Total Deposit	24.12%	29.01%	29.17%	20.43%	26.89%

4. Nepal Investment Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	590,586	801,353	1,203,915	2,407,069	2,409,098
Reserves and Surplus	824,854	1,076,771	1,482,871	1,500,771	2,176,295
Debenture & Bond	550,000	800,000	1,050,000	1,050,000	1,050,000
Borrowing	-	-	-	38,800	37,315
Deposit	18,927,306	24,488,856	34,451,726	46,698,100	50,094,725
Bills Payable	18,820	32,401	78,839	82,338	38,144
Proposed & Payable dividend	121,627	43,650	93,468	485,454	602,274
Tax Liabilities	9,319	295	24,083	38,297	37,195
Other Liabilities	287,626	347,519	488,404	709,975	860,367
Total Liabilities	**21,330,138**	**27,590,845**	**38,873,306**	**53,010,803**	**57,305,413**
Cash Balance	562,560	763,984	1,464,483	1,833,462	1,525,442
Balance With NRB	1,526,067	1,381,352	1,820,006	4,411,133	3,237,217
Bank Balance with Banks	247,894	296,178	470,453	1,673,408	2,053,231
Money At call	70,000	362,970	-	-	-
Investment	5,602,869	6,505,680	6,874,024	7,399,812	8,635,530
Loan and Advances	12,776,208	17,286,428	26,996,652	36,241,207	40,318,308
Fixed Assets	343,450	759,456	970,092	1,060,752	1,136,247
Non- Banking Assets	-	1,125	750	375	-
Other Assets	201,090	233,672	276,846	390,653	399,438
Total Assets	**21,330,138**	**27,590,845**	**38,873,306**	**53,010,803**	**57,305,413**
Interest Income	1,172,742	1,584,987	2,194,275	3,267,941	4,653,521
Interest Expenses	490,947	685,530	992,158	1,686,973	2,553,847
Net Interest Income	**681,795**	**899,457**	**1,202,117**	**1,580,968**	**2,099,674**
Commission and discount	115,942	163,899	215,292	262,792	242,886
Other Operating Income	35,902	47,319	66,377	87,575	168,312
Exchange Income	125,748	135,355	165,839	185,327	224,056
Total Operating Income	**959,387**	**1,246,030**	**1,649,625**	**2,116,662**	**2,734,928**
Employees Expenses	111,054	145,371	187,150	225,721	279,851
Other Operating Expenses	200,215	243,430	313,154	413,884	433,596
Exchange Loss	-	-	-	-	-
Operating Profit Before Provision	**648,118**	**857,229**	**1,149,321**	**1,477,056**	**2,021,481**
Provisions for possible losses	103,808	129,719	135,989	166,201	93,056
Operating Profit	**544,310**	**727,510**	**1,013,332**	**1,310,855**	**1,928,425**
Non-Operating Income/ Expenses	391	1,426	7,048	2,953	10,606
Return From Loan Loss Provision	10,704	66,777	101,577	114,653	50,000
Profit From Ordinary activities	**555,405**	**795,713**	**1,121,957**	**1,428,461**	**1,989,031**
Extra ordinary Income /Expenses	-	-	-	-	-
Net Profit including all activities	**555,405**	**795,713**	**1,121,957**	**1,428,461**	**1,989,031**
Provision For Staff Bonus	50,491	72,337	101,996	129,860	180,821
Provision For Income Tax	154,378	221,977	323,229	397,982	542,261
-This Year	-	-	-	-	-
-Up to Last Year	-	-	-	-	-
Net Profit / Loss	**350,536**	**501,399**	**696,732**	**900,619**	**1,265,949**
Financial Indicators					
Core Capital to Risk Weighted Assets	7.97%	7.90%	7.71%	8.56%	8.50%
Capital Fund to Risk Weighted Assets	11.97%	12.17%	11.28%	11.24%	10.55%
Non-Performing Loan to Total Loan	2.07%	2.37%	1.12%	0.58%	0.62%
Weighted Average Interest Spread	3.90%	3.99%	4.00%	3.94%	4.36%
Net Interest Income (Rs. in thousand)	681,795	899,457	1,202,117	1,580,968	2,099,674
Return on Assets	1.61%	1.79%	1.77%	1.68%	2.19%
Credit to Deposit Ratio	69.63%	72.56%	79.91%	78.86%	81.74%
Liquid Assets to Total Assets	23.11%	21.97%	17.78%	19.71%	19.23%
Liquid Assets to Total Deposit	26.04%	24.70%	20.06%	22.38%	21.99%

5. Standard Chartered Bank Nepal Limited (Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	374,640	413,255	620,784	931,966	1,608,256
Reserves and Surplus	1,379,498	1,703,098	1,871,764	2,120,503	1,761,453
Debenture & Bond	-	-	-	-	-
Borrowing	-	400,000	-	300,000	-
Deposit	23,061,032	24,647,021	29,743,999	35,871,721	35,182,721
Bills Payable	55,751	36,168	87,397	72,942	89,220
Proposed & Payable dividend	499,980	341,744	506,367	476,296	769,166
Tax Liabilities	-	5,599	2,051	4,263	-
Other Liabilities	405,431	1,049,804	503,426	809,777	802,503
Total Liabilities	**25,776,332**	**28,596,689**	**33,335,788**	**40,587,468**	**40,213,319**
Cash Balance	279,511	378,423	414,876	463,346	509,031
Balance With NRB	749,741	1,613,758	1,266,273	1,851,133	819,509
Bank Balance with Banks	246,989	28,841	369,094	822,685	600,766
Money At call	1,977,271	1,761,151	2,197,538	2,055,549	1,669,460
Investment	12,847,536	13,553,233	13,902,819	20,236,121	19,847,511
Loan and advances	8,935,418	10,502,637	13,718,597	13,679,757	15,956,955
Fixed Assets	101,302	125,591	117,272	137,293	118,540
Non- Banking Assets	-	-	-	-	-
Other Assets	638,564	633,055	1,349,319	1,341,585	691,547
Total Assets	**25,776,332**	**28,596,689**	**33,335,788**	**40,587,468**	**40,213,319**
Interest Income	1,189,602	1,411,982	1,591,195	1,887,221	2,042,109
Interest Expenses	303,198	413,055	471,730	543,787	575,740
Net Interest Income	**886,404**	**998,927**	**1,119,465**	**1,343,435**	**1,466,369**
Commission and discount	222,929	221,207	276,432	235,469	338,298
Other Operating Income	25,442	28,785	32,594	33,191	34,479
Exchange Income	283,472	309,086	345,653	480,031	458,564
Total Operating Income	**1,418,247**	**1,558,005**	**1,774,144**	**2,092,126**	**2,297,710**
Employees Expenses	168,231	199,778	225,256	253,056	312,964
Other Operating Expenses	221,087	228,451	230,571	276,327	295,305
Exchange Loss	-	-	-	-	-
Operating Profit Before Provision	**1,028,929**	**1,129,776**	**1,318,317**	**1,562,743**	**1,689,441**
Provisions for possible losses	47,730	36,809	69,885	56,635	76,974
Operating Profit	**981,199**	**1,092,967**	**1,248,432**	**1,506,109**	**1,612,467**
Non-Operating Income/ Expenses	1,433	9,492	1,682	22,098	36,268
Return From Loan Loss Provision	53,090	20,160	90,635	101,075	58,293
Profit From Ordinary activities	**1,035,722**	**1,122,619**	**1,340,749**	**1,629,282**	**1,707,028**
Extra ordinary Income /Expenses	(2,411)	(4,915)	(28,039)	(15,356)	(17,024)
Net Profit including all activities	**1,033,311**	**1,117,704**	**1,312,710**	**1,613,926**	**1,690,004**
Provision For Staff Bonus	93,937	101,609	119,337	146,721	153,637
Provision For Income Tax	280,619	324,427	374,452	442,091	450,496
-This Year	-	-	-	-	-
-Up to Last Year	-	-	-	-	-
Net Profit / Loss	**658,755**	**691,668**	**818,921**	**1,025,115**	**1,085,871**
Financial Indicators					
Core Capital to Risk Weighted Assets	12.99%	13.77%	12.15%	13.05%	12.61%
Capital Fund to Risk Weighted Assets	14.93%	15.71%	0.14%	14.70%	14.60%
Non-Performing Loan to Total Loan	2.13%	1.83%	0.92%	0.66%	0.61%
Weighted Average Interest Spread	4.10%	3.95%	4.01%	3.98%	3.44%
Net Interest Income (Rs. in thousand)	886,404	998,927	1,119,465	1,343,435	1,466,369
Return on Assets	2.56%	2.42%	2.46%	2.53%	2.70%
Credit to Deposit	39.92%	43.78%	46.95%	38.70%	45.98%
Liquid Assets to Total Assets	46.16%	42.65%	40.25%	37.43%	30.16%
Liquid Assets to Total Deposit	51.60%	36.76%	35.91%	42.35%	34.48%

6. Himalayan Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	772,200	810,810	1,013,512	1,216,215	2,000,000
Reserves and Surplus	993,975	1,335,690	1,499,479	1,903,666	1,439,205
Debenture & Bond	360,000	360,000	860,000	500,000	500,000
Borrowing	144,625	235,968	83,178	-	-
Deposit	26,490,851	30,048,418	31,842,789	34,681,345	37,611,202
Bills Payable	73,578	91,303	102,670	113,509	216,159
Proposed & Payable dividend	238,409	130,940	263,076	162,097	189,473
Tax Liabilities	-	11,913	19,131	10,163	-
Other Liabilities	386,751	494,099	491,696	733,327	761,085
Total Liabilities	**29,460,389**	**33,519,141**	**36,175,531**	**39,320,322**	**42,717,124**
Cash Balance	305,428	177,242	278,183	473,760	514,223
Balance With NRB	1,096,253	1,272,543	935,842	2,328,406	2,604,791
Bank Balance with Banks	315,671	307,556	234,118	246,361	747,476
Money At call	1,005,280	1,710,024	518,529	1,170,794	308,840
Investment	10,889,031	11,822,985	13,340,177	8,710,691	8,444,910
Loan and Advances	14,642,559	16,997,997	19,497,520	24,793,155	27,980,629
Fixed Assets	540,824	574,060	726,068	952,196	1,061,871
Non- Banking Assets	**21,733**	12,766	10,307	22,695	-
Other Assets	643,610	643,968	634,787	622,265	1,054,384
Total Assets	**29,460,389**	**33,519,141**	**36,175,531**	**39,320,322**	**42,717,124**
Interest Income	1,626,474	1,775,582	1,963,647	2,342,198	3,148,605
Interest Expenses	648,842	767,411	823,745	934,778	1,553,530
Net Interest Income	**977,632**	**1,008,171**	**1,139,902**	**1,407,420**	**1,595,075**
Commission and discount	165,448	193,224	202,888	284,302	270,258
Other Operating Income	52,324	40,329	62,104	46,343	112,346
Exchange Income	198,130	151,637	192,601	249,983	180,278
Total Operating Income	**1,393,534**	**1,393,361**	**1,597,495**	**1,988,048**	**2,157,957**
Employees Expenses	234,589	272,225	307,528	360,981	414,984
Other Operating Expenses	329,699	341,561	329,006	398,317	471,102
Exchange Loss	-	-	-	-	-
Operating Profit Before Provision	**829,246**	**779,575**	**960,961**	**1,228,751**	**1,271,871**
Provisions for possible losses	145,154	90,689	58,431	68,806	692,640
Operating Profit	**684,092**	**688,886**	**902,530**	**1,159,945**	**579,231**
Non-Operating Income/ Expenses	1,887	3,493	9,700	3,810	12,382
Return From Loan Loss Provision	56,562	412,654	184,107	19,485	265,542
Profit From Ordinary activities	**742,541**	**1,105,033**	**1,096,337**	**1,183,240**	**857,155**
Extra ordinary Income /Expenses	(2,902)	(315,890)	(52,614)	(9,973)	(25,855)
Net Profit including all activities	**739,639**	**789,143**	**1,043,723**	**1,173,267**	**831,300**
Provision For Staff Bonus	67,240	71,740	94,884	106,661	75,573
Provision For Income Tax	214,941	225,580	312,970	313,771	246,929
-This Year	-	-	-	-	-
-Up to Last Year	-	-	-	-	-
Net Profit / Loss	**457,458**	**491,823**	**635,869**	**752,835**	**508,798**
Financial Indicators					
Core Capital to Risk Weighted Assets	8.65%	9.61%	9.64%	8.81%	8.68%
Capital Fund to Risk Weighted Assets	11.26%	11.13%	13.00%	11.02%	10.72%
Non-Performing Loan to Total Loan	6.60%	3.61%	2.36%	2.16%	3.52%
Weighted Average Interest Spread	3.80%	3.57%	3.66%	3.66%	4.21%
Net Interest Income (Rs. in thousand)	977,632	1,008,171	1,139,902	1,407,420	1,595,075
Return on Assets	1.55%	1.47%	1.76%	1.91%	1.19%
Credit to Deposit	55.27%	56.57%	61.23%	71.49%	74.39%
Liquid Assets to Total Assets	26.70%	29.60%	26.09%	21.44%	20.23%
Liquid Assets to Total Deposit	29.70%	33.02%	29.64%	24.31%	22.97%

7. Nepal Bangladesh Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	719,852	719,852	744,126	1,860,315	1,860,315
Reserves and Surplus	(2,282,436)	(3,344,015)	(2,935,574)	(748,073)	273,257
Debenture & Bond	-	-	-	-	-
Borrowing	71,000	230,000	30,000	-	-
Deposit	13,015,136	9,461,535	10,883,652	9,997,697	10,052,182
Bills Payable	44,109	39,410	30,012	12,629	15,401
Proposed & Payable dividend	1,352	1,299	1,301	1,398	-
Tax Liabilities	-	30,332	-	6,729	-
Other Liabilities	140,268	116,135	637,509	833,857	329,886
Total Liabilities	**11,709,281**	**7,254,548**	**9,391,026**	**11,964,552**	**12,531,041**
Cash Balance	354,456	391,686	612,025	459,402	422,008
Balance With NRB	1,157,838	614,432	1,005,830	1,869,815	1,423,257
Bank Balance with Banks	182,391	157,935	304,993	242,200	213,033
Money At call	30,029	50,000	1,000	1,000	-
Investment	2,661,833	1,034,560	1,389,901	2,222,432	2,112,751
Loan and Advances	6,460,246	4,409,013	5,457,809	6,704,943	7,809,544
Fixed Assets	172,325	140,807	147,747	139,198	155,327
Non- Banking Assets	205,466	111,925	37,087	-	-
Other Assets	484,697	344,190	434,634	325,562	395,121
Total Assets	**11,709,281**	**7,254,548**	**9,391,026**	**11,964,552**	**12,531,041**
Interest Income	758,132	982,197	828,276	1,337,112	1,167,627
Interest Expenses	518,094	432,219	397,997	409,776	476,787
Net Interest Income	**240,038**	**549,978**	**430,279**	**927,336**	**690,840**
Commission and discount	85,298	85,219	105,300	122,393	145,796
Other Operating Income	47,846	117,653	190,767	125,074	50,496
Exchange Income	63,957	40,962	90,111	80,549	49,840
Total Operating Income	**437,139**	**793,812**	**816,457**	**1,255,353**	**936,972**
Employees Expenses	140,662	112,547	140,837	138,424	146,641
Other Operating Expenses	119,905	114,326	121,863	123,306	128,766
Exchange Loss	-	-	-	-	-
Operating Profit Before Provision	**176,572**	**566,939**	**553,757**	**993,623**	**661,565**
Provisions for possible losses	1,882,278	1,502,798	379,304	283,319	148,389
Operating Profit	**(1,705,706)**	**(935,859)**	**174,453**	**710,303**	**513,176**
Non-Operating Income/ Expenses	(11,105)	24,200	18,239	22,934	18,384
Return From Loan Loss Provision	271,575	34,277	1,343,374	1,905,860	1,318,048
Profit From Ordinary activities	**(1,445,236)**	**(877,382)**	**1,536,066**	**2,639,097**	**1,849,608**
Extra ordinary Income /Expenses	(271,575)	-	(697,887)	(14,990)	(523,481)
Net Profit including all activities	**(1,716,811)**	**(877,382)**	**838,179**	**2,624,108**	**1,326,127**
Provision For Staff Bonus	-	-	76,198	238,555	120,557
Provision For Income Tax	80,348	184,198	165,494	227,446	184,190
-This Year	-	-	-	-	-
-Up to Last Year	-	-	-	-	-
Net Profit / Loss	**(1,797,159)**	**(1,061,580)**	**596,487**	**2,158,106**	**1,021,380**
Financial Indicators					
Core Capital to Risk Weighted Assets	-13.48%	-23.55%	-18.17%	4.42%	11.74%
Capital Fund to Risk Weighted Assets	-13.48%	-23.55%	-18.17%	5.55%	12.81%
Non-Performing Loan to Total Loan	27.12%	39.76%	31.73%	19.80%	6.47%
Weighted Average Interest Spread	2.10%	4.90%	3.95%	3.92%	5.56%
Net Interest Income (Rs. in thousand)	240,038	549,978	430,279	927,336	690,840
Return on Assets	-15.35%	-14.63%	6.35%	18.04%	8.15%
Credit to Deposit	75.27%	96.91%	87.01%	91.33%	78.26%
Liquid Assets to Total Assets	36.30%	28.13%	33.50%	35.84%	31.42%
Liquid Assets to Total Deposit	32.65%	21.57%	28.90%	42.89%	39.17%

8. Nepal SBI Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	640,236	647,798	874,528	874,528	1,861,324
Reserves and Surplus	342,137	515,492	540,117	838,079	589,230
Debenture & Bond	200,000	200,000	200,000	200,000	200,000
Borrowing	612,428	815,365	1,627,480	727,466	-
Deposit	11,002,041	11,445,286	13,715,395	27,957,221	34,896,424
Bills Payable	46,239	48,856	75,115	62,947	72,368
Proposed & Payable dividend	35,470	91,024	12,229	24,905	83,080
Tax Liabilities	-	-	-	-	-
Other Liabilities	157,288	137,379	142,582	231,536	345,253
Total Liabilities	**13,035,839**	**13,901,200**	**17,187,446**	**30,916,682**	**38,047,679**
Cash Balance	244,188	287,530	308,102	652,027	815,680
Balance With NRB	626,123	556,678	403,810	444,139	1,842,802
Bank Balance with Banks	247,847	278,481	631,049	807,740	782,780
Money At call	363,200	350,000	304,013	-	-
Investment	3,610,775	2,659,453	3,088,887	13,286,182	16,305,633
Loan and Advances	7,626,736	9,460,451	12,113,698	15,131,748	17,480,548
Fixed Assets	66,712	97,219	120,222	253,581	418,244
Non- Banking Assets	**24,556**	3,847	**-**	**-**	**-**
Other Assets	225,702	207,541	217,665	341,265	401,992
Total Assets	**13,035,839**	**13,901,200**	**17,187,446**	**30,916,682**	**38,047,679**
Interest Income	708,719	831,117	970,513	1,460,446	2,269,704
Interest Expenses	334,770	412,262	454,918	824,700	1,443,693
Net Interest Income	**373,949**	**418,855**	**515,595**	**635,745**	**826,011**
Commission and discount	40,754	52,591	50,918	78,837	131,692
Other Operating Income	7,136	12,601	19,557	52,790	78,796
Exchange Income	43,060	49,464	51,989	61,294	70,328
Total Operating Income	**464,899**	**533,511**	**638,059**	**828,666**	**1,106,827**
Employees Expenses	50,539	53,232	74,890	121,989	130,336
Other Operating Expenses	99,214	120,112	152,380	223,966	343,850
Exchange Loss	-	-	-	-	-
Operating Profit Before Provision	**315,146**	**360,167**	**410,789**	**482,712**	**632,641**
Provisions for possible losses	146,657	59,377	57,464	40,345	62,350
Operating Profit	**168,489**	**300,790**	**353,325**	**442,366**	**570,291**
Non-Operating Income/ Expenses	(2,926)	(257)	(271)	2,516	2,552
Return From Loan Loss Provision	54,178	78,515	29,782	198,673	56,621
Profit From Ordinary activities	**219,741**	**379,048**	**382,836**	**643,556**	**629,464**
Extra ordinary Income /Expenses	-	-	-	(156,221)	(37,266)
Net Profit including all activities	**219,741**	**379,048**	**382,836**	**487,335**	**592,198**
Provision For Staff Bonus	19,976	34,459	34,803	44,303	53,836
Provision For Income Tax	82,762	89,681	100,263	126,658	146,620
-This Year	-	-	-	-	-
-Up to Last Year	-	-	-	-	-
Net Profit / Loss	**117,003**	**254,908**	**247,770**	**316,373**	**391,742**
Financial Indicators					
Core Capital to Risk Weighted Assets	10.53%	10.53%	9.97%	10.03%	10.89%
Capital Fund to Risk Weighted Assets	13.57%	13.29%	12.32%	11.92%	12.25%
Non-Performing Loan to Total Loan	6.13%	4.56%	3.83%	2.02%	1.48%
Weighted Average Interest Spread	3.33%	3.01%	3.11%	2.84%	2.76%
Net Interest Income (Rs. in thousand)	373,949	418,855	515,595	635,745	826,011
Return on Assets	0.90%	1.83%	1.44%	1.02%	1.03%
Credit to Deposit	69.32%	82.66%	88.32%	55.84%	51.48%
Liquid Assets to Total Assets	38.92%	27.47%	27.24%	16.85%	20.38%
Liquid Assets to Total Deposit	46.11%	33.36%	34.14%	18.64%	22.22%

9. Everest Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	518,000	518,000	831,400	1,030,467	1,279,607
Reserves and Surplus	444,808	683,515	1,089,837	1,173,157	1,479,530
Debenture & Bond	300,000	300,000	300,000	300,000	300,000
Borrowing	-	-	-	312,000	404,600
Deposit	13,802,445	18,186,254	23,976,298	33,322,946	36,932,310
Bills Payable	15,806	26,776	49,430	148,656	145,514
Proposed & Payable dividend	114,667	68,146	140,790	230,525	276,253
Tax Liabilities	-	15,278	41,143	20,522	(1,136)
Other Liabilities	763,559	1,634,605	720,444	378,575	566,082
Total Liabilities	**15,959,285**	**21,432,574**	**27,149,342**	**36,916,848**	**41,382,760**
Cash Balance	259,347	534,997	822,990	944,696	1,091,500
Balance With NRB	1,139,515	1,178,198	1,080,915	4,787,164	5,625,114
Bank Balance with Banks	154,105	678,225	764,068	432,512	1,102,200
Money At call	66,960	-	346,000	-	-
Investment	4,200,515	4,984,315	5,059,557	5,948,480	5,008,308
Loan and Advances	9,801,308	13,664,082	18,339,085	23,884,674	27,556,356
Fixed Assets	152,090	170,097	360,512	427,157	463,094
Non- Banking Assets	7,437	-	-	-	-
Other Assets	178,008	222,660	376,215	492,166	536,188
Total Assets	**15,959,285**	**21,432,574**	**27,149,342**	**36,916,849**	**41,382,760**
Interest Income	903,411	1,144,408	1,548,657	2,186,815	3,102,451
Interest Expenses	401,397	517,166	632,609	1,012,874	1,572,790
Net Interest Income	**502,014**	**627,242**	**916,048**	**1,173,941**	**1,529,661**
Commission and discount	96,839	117,718	150,264	202,094	208,123
Other Operating Income	48,902	67,967	79,134	106,404	142,311
Exchange Income	14,398	28,405	64,452	62,527	47,880
Total Operating Income	**662,153**	**841,332**	**1,209,898**	**1,544,966**	**1,927,975**
Employees Expenses	70,925	86,118	157,957	186,920	226,364
Other Operating Expenses	143,562	177,546	233,767	292,011	352,511
Exchange Loss	-	-	-	-	-
Operating Profit Before Provision	**447,666**	**577,668**	**818,174**	**1,066,035**	**1,349,100**
Provisions for possible losses	70,466	89,696	99,340	93,085	77,010
Operating Profit	**377,200**	**487,972**	**718,834**	**972,950**	**1,272,090**
Non-Operating Income/ Expenses	2,959	1,315	4,519	5,005	12,338
Return From Loan Loss Provision	-	11,687	20,201	8,044	83,553
Profit From Ordinary activities	**380,159**	**500,974**	**743,554**	**986,000**	**1,367,981**
Extra ordinary Income /Expenses		(795)	(18,999)	(5,549)	(61,192)
Net Profit including all activities	**380,159**	**500,179**	**724,555**	**980,451**	**1,306,789**
Provision For Staff Bonus	34,560	45,471	65,869	89,132	118,799
Provision For Income Tax	108,309	158,299	207,468	252,586	356,225
-This Year	-	-	-	-	-
-Up to Last Year	-	-	-	-	-
Net Profit / Loss	**237,290**	**296,409**	**451,218**	**638,733**	**831,765**
Financial Indicators					
Core Capital to Risk Weighted Assets	8.21%	7.80%	9.04%	8.52%	8.39%
Capital Fund to Risk Weighted Assets	12.32%	11.20%	11.44%	10.55%	10.77%
Non-Performing Loan to Total Loan	1.27%	0.80%	0.68%	0.48%	0.16%
Weighted Average Interest Spread	3.99%	3.90%	4.30%	4.40%	4.78%
Net Interest Income (Rs. in thousand)	502,014	627,242	916,048	1,173,941	1,529,661
Return on Assets	1.49%	1.40%	0.02	1.73%	2.09%
Credit to Deposit	73.40%	77.40%	79.00%	73.43%	74.61%
Liquid Assets to Total Assets	32.39%	47.11%	28.82%	30.64%	29.42%
Liquid Assets to Total Deposit	37.45%	55.51%	32.64%	33.94%	32.96%

10. Bank of Kathmandu Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	463,581	603,141	603,141	844,398	1,359,480
Reserves and Surplus	376,153	390,133	738,933	897,192	714,049
Debenture & Bond	200,000	200,000	200,000	200,000	200,000
Borrowing	553,180	730,000	100,000	100,000	300,000
Deposit	10,485,359	12,388,928	15,833,738	18,083,980	20,315,834
Bills Payable	11,622	25,777	51,576	51,125	35,702
Proposed & Payable dividend	98,712	135,575	32,804	77,333	177,324
Tax Liabilities	-	-	-	-	-
Other Liabilities	89,722	107,841	161,733	241,977	293,802
Total Liabilities	**12,278,329**	**14,581,395**	**17,721,925**	**20,496,005**	**23,396,191**
Cash Balance	184,020	219,043	536,747	565,066	455,181
Balance With NRB	349,296	883,496	606,049	1,324,108	687,582
Bank Balance with Banks	195,382	213,365	297,671	292,938	655,604
Money At call	594,047	259,278	72,680	243,352	931,988
Investment	3,374,712	2,992,434	3,204,068	2,783,599	3,269,205
Loan and Advances	7,259,083	9,399,328	12,462,637	14,647,297	16,664,931
Fixed Assets	110,745	320,846	387,274	417,041	491,295
Non- Banking Assets	7,356	3,626	453	-	-
Other Assets	203,688	289,979	154,346	222,606	240,405
Total Assets	**12,278,329**	**14,581,395**	**17,721,925**	**20,496,005**	**23,396,191**
Interest Income	718,121	819,004	1,034,158	1,347,755	1,870,847
Interest Expenses	308,156	339,181	417,543	563,113	902,927
Net Interest Income	**409,965**	**479,823**	**616,615**	**784,642**	**967,920**
Commission and discount	70,776	97,431	129,415	150,919	160,065
Other Operating Income	16,968	19,003	23,168	43,222	73,925
Exchange Income	78,955	80,826	93,764	136,036	140,785
Total Operating Income	**576,664**	**677,083**	**862,962**	**1,114,820**	**1,342,695**
Employees Expenses	59,120	69,740	90,602	146,495	168,513
Other Operating Expenses	117,591	138,430	170,481	233,668	294,457
Exchange Loss	-	-	-	-	-
Operating Profit Before Provision	**399,953**	**468,913**	**601,879**	**734,658**	**879,725**
Provisions for possible losses	78,381	81,895	38,438	33,745	119,401
Operating Profit	**321,572**	**387,018**	**563,441**	**700,912**	**760,324**
Non-Operating Income/ Expenses	1,090	(2,780)	810	(2,027)	2,918
Return From Loan Loss Provision	103,871	37,104	61,833	21,577	41,818
Profit From Ordinary activities	**426,533**	**421,342**	**626,084**	**720,462**	**805,060**
Extra ordinary Income /Expenses	(95,205)	411	(45,396)	6,934	-
Net Profit including all activities	**331,328**	**421,753**	**580,688**	**727,396**	**805,060**
Provision For Staff Bonus	30,121	38,341	52,790	66,127	73,187
Provision For Income Tax	98,768	121,025	166,402	199,535	222,610
-This Year	-	-	-	-	-
-Up to Last Year	-	-	-	-	-
Net Profit / Loss	**202,439**	**262,387**	**361,496**	**461,735**	**509,263**
Financial Indicators					
Core Capital to Risk Weighted Assets	10.71%	9.43%	9.57%	9.81%	9.41%
Capital Fund to Risk Weighted Assets	14.52%	12.62%	11.94%	11.68%	10.85%
Non-Performing Loan to Total Loan	2.72%	2.51%	1.86%	1.27%	1.51%
Weighted Average Interest Spread	3.64%	4.04%	4.35%	4.72%	5.16%
Net Interest Income (Rs. in thousand)	409,965	479,823	616,615	784,642	967,920
Return on Assets	1.65%	1.80%	2.04%	2.25%	2.18%
Credit to Deposit	71.42%	78.25%	80.51%	82.65%	83.90%
Liquid Assets to Total Assets	32.42%	26.80%	20.46%	20.35%	24.30%
Liquid Assets to Total Deposit	37.97%	31.54%	22.90%	23.06%	27.98%

11. Nepal Credit and Commerce Bank Limited (Rs. in '000)

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	698,415	699,117	1,399,558	1,399,558	1,399,671
Reserves and Surplus	(1,007,452)	(1,209,453)	(714,475)	(300,637)	123,036
Debenture & Bond	-	-	-	-	-
Borrowing	13,600	-	-	-	206,900
Deposit	6,619,581	6,500,343	7,320,236	9,127,749	10,824,692
Bills Payable	63,605	14,509	110,171	15,375	30,652
Proposed & Payable dividend	-	-	-	-	-
Tax Liabilities	-	-	2,643	-	-
Other Liabilities	39,951	32,160	123,201	348,803	176,121
Total Liabilities	**6,427,700**	**6,036,676**	**8,241,334**	**10,590,847**	**12,761,072**
Cash Balance	230,561	265,782	592,632	342,794	517,662
Balance With NRB	478,205	255,573	762,438	781,447	1,483,099
Bank Balance with Banks	75,190	236,808	122,763	62,764	195,585
Money At call	21,100	75,665	154,406	186,402	99,951
Investment	591,644	1,236,621	1,900,758	1,583,103	1,947,614
Loan and Advances	4,643,262	3,707,642	4,417,857	6,858,194	7,994,718
Fixed Assets	111,837	104,233	114,064	216,858	284,166
Non- Banking Assets	72,617	46,556	59,963	235,574	-
Other Assets	203,284	107,796	116,453	323,712	238,277
Total Assets	**6,427,700**	**6,036,676**	**8,241,334**	**10,590,847**	**12,761,072**
Interest Income	562,780	474,408	576,609	758,363	1,042,243
Interest Expenses	315,991	283,006	278,724	352,060	580,165
Net Interest Income	**246,789**	**191,402**	**297,885**	**406,303**	**462,078**
Commission and discount	37,470	31,773	34,235	55,454	52,666
Other Operating Income	20,098	36,257	75,763	76,173	59,021
Exchange Income	13,773	5,940	18,467	20,314	18,767
Total Operating Income	**318,130**	**265,372**	**426,350**	**558,243**	**592,532**
Employees Expenses	48,178	56,156	76,072	93,390	105,112
Other Operating Expenses	69,829	89,623	95,931	96,089	111,353
Exchange Loss		-	-		-
Operating Profit Before Provision	**200,123**	**119,593**	**254,347**	**368,764**	**376,067**
Provisions for possible losses	782,710	206,867	163,874	74,557	121,088
Operating Profit	**(582,587)**	**(87,274)**	**90,473**	**294,207**	**254,979**
Non-Operating Income/ Expenses	4,686	2,913	29,562	6,295	65,199
Return From Loan Loss Provision	95,783	50,901	733,488	300,767	240,083
Profit From Ordinary activities	**(482,118)**	**(33,460)**	**853,523**	**601,269**	**560,261**
Extra ordinary Income /Expenses	(72,144)	(42,420)	(222,019)	(36,202)	12,022
Net Profit including all activities	**(554,262)**	**(75,880)**	**631,504**	**565,067**	**572,283**
Provision For Staff Bonus	-	-	57,409	51,370	52,026
Provision For Income Tax	15,483	**40,049**	75,340	98,236	96,484
-This Year	-	-	0		
-Up to Last Year	-	-	0		
Net Profit / Loss	**(569,745)**	**(115,929)**	**498,755**	**415,461**	**423,773**
Financial Indicators					
Core Capital to Risk Weighted Assets	-5.05%	-9.14%	9.61%	9.81%	12.69%
Capital Fund to Risk Weighted Assets	-3.46%	-9.14%	11.09%	11.07%	13.94%
Non-Performing Loan to Total Loan	21.90%	31.40%	16.42%	8.60%	2.88%
Weighted Average Interest Spread	4.25%	3.40%	4.45%	4.29%	3.60%
Net Interest Income (Rs. in thousand)	246,789	191,402	297,885	406,303	462,078
Return on Assets	-7.72%	-1.56%	5.48%	3.76%	3.21%
Credit to Deposit	89.12%	78.80%	72.14%	78.62%	77.49%
Liquid Assets to Total Assets	20.64%	33.00%	40.87%	26.45%	31.79%
Liquid Assets to Total Deposit	20.04%	30.65%	46.01%	30.69%	37.48%

12. Lumbini Bank Limited

(Rs. In '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	500,000	600,000	995,710	1,096,079	1,294,548
Reserves and Surplus	(1,222,070)	(1,029,665)	(702,016)	(143,027)	161,039
Debenture & Bond	-	-	-		-
Borrowing	-	23,514	0	19,538	14,972
Deposit	4,786,440	6,024,598	5,703,734	6,444,904	5,767,973
Bills Payable	104,585	14,260	29,075	17,916	10,303
Proposed & Payable dividend	-	-	-	-	-
Tax Liabilities	-	-	-	-	-
Other Liabilities	90,388	72,318	124,975	112,461	161,590
Total Liabilities	**4,259,343**	**5,705,025**	**6,151,478**	**7,547,870**	**7,410,425**
Cash Balance	133,384	138,478	146,316	168,146	198,537
Balance With NRB	178,329	280,521	411,341	749,886	561,335
Bank Balance with Banks	90,421	81,808	84,945	76,828	70,640
Money At call	50,000	295,605	67,714	441,801	147,709
Investment	673,720	864,337	817,471	803,625	1,078,895
Loan and Advances	2,983,895	3,840,687	4,489,494	4,983,388	5,107,264
Fixed Assets	41,996	42,701	41,288	46,167	66,622
Non- Banking Assets	49,402	73,752	35,762	16,046	-
Other Assets	58,196	87,136	57,147	261,983	179,423
Total Assets	**4,259,343**	**5,705,025**	**6,151,478**	**7,547,870**	**7,410,425**
Interest Income	343,821	458,649	535,801	580,438	713,357
Interest Expenses	215,553	264,765	260,390	264,426	336,201
Net Interest Income	**128,268**	**193,884**	**275,411**	**316,012**	**377,156**
Commission and discount	16,582	24,025	22,253	23,490	18,634
Other Operating Income	14,578	49,649	39,185	104,228	36,070
Exchange Income	20,866	13,737	14,245	25,705	16,454
Total Operating Income	**180,294**	**281,295**	**351,094**	**469,434**	**448,314**
Employees Expenses	48,581	59,937	59,172	77,349	67,357
Other Operating Expenses	70,392	68,683	71,613	78,453	78,913
Exchange Loss	-	-	-	-	-
Operating Profit Before Provision	**61,321**	**152,675**	**220,309**	**313,632**	**302,044**
Provisions for possible losses	855,593	217,859	164,628	66,182	66,230
Operating Profit	**(794,272)**	**(65,184)**	**55,681**	**247,449**	**235,814**
Non-Operating Income/ Expenses	(1,058)	1,233	(931)	(2,566)	1,644
Return From Loan Loss Provision	9,412	414,559	359,927	284,930	344,749
Profit From Ordinary activities	**(785,918)**	**350,608**	**414,677**	**529,813**	**582,207**
Extra ordinary Income /Expenses	(9,413)	(109,243)	5,359	(17,615)	(72,234)
Net Profit including all activities	**(795,331)**	**241,365**	**420,036**	**512,199**	**509,973**
Provision For Staff Bonus	-	21,942	38,185	46,564	46,361
Provision For Income Tax	10,731	27,018	54,202	133,429	159,547
-This Year	-	-	-	-	-
-Up to Last Year	-	-	-	-	-
Net Profit / Loss	**(806,062)**	**192,405**	**327,649**	**332,206**	**304,065**
Financial Indicators					
Core Capital to Risk Weighted Assets	-15.11%	-7.80%	4.73%	16.87%	22.35%
Capital Fund to Risk Weighted Assets	-15.11%	-7.80%	0.06%	17.78%	24.62%
Non-Performing Loan to Total Loan	30.99%	20.37%	14.92%	9.06%	4.53%
Weighted Average Interest Spread	2.54%	3.30%	4.24%	4.24%	4.13%
Net Interest Income (Rs. in thousand)	128,268	193,884	275,411	316,012	377,156
Return on Assets	-18.92%	3.37%	5.36%	4.40%	4.10%
Credit to Deposit	90.29%	82.07%	94.10%	88.15%	95.23%
Liquid Assets to Total Assets	36.78%	27.91%	23.44%	28.56%	25.87%
Liquid Assets to Total Deposit	32.73%	26.43%	25.28%	33.45%	33.24%

13. Nepal Industrial and Commercial Bank Limited (Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	600,000	660,000	943,877	1,140,480	1,311,552
Reserves and Surplus	166,462	258,496	359,550	519,774	453,400
Debenture & Bond	200,000	200,000	200,000	200,000	200,000
Borrowing	457,705	352,129	335,000	660,405	1,723,250
Deposit	8,765,950	10,068,231	13,084,689	15,579,931	15,968,918
Bills Payable	91,508	31,691	32,564	265,107	17,542
Proposed & Payable dividend	10,954	11,380	12,475	11,000	345,145
Tax Liabilities	4,631	405	13,927	10,893	32,571
Other Liabilities	86,390	97,008	256,654	363,044	256,952
Total Liabilities	**10,383,600**	**11,679,340**	**15,238,736**	**18,750,633**	**20,309,330**
Cash Balance	139,186	181,607	235,246	337,349	530,610
Balance With NRB	455,769	262,735	634,115	970,981	589,322
Bank Balance with Banks	154,184	155,416	322,988	152,820	966,197
Money At call	353,515	163,009	160,000		100,000
Investment	2,479,912	1,599,481	2,311,469	3,026,022	4,946,778
Loan and Advances	6,655,964	8,941,398	11,264,678	13,679,394	12,732,014
Fixed Assets	39,864	153,679	194,500	259,325	297,192
Non- Banking Assets	2,645	1,164	674	703	-
Other Assets	102,561	220,851	115,066	324,038	147,217
Total Assets	**10,383,600**	**11,679,340**	**15,238,736**	**18,750,633**	**20,309,330**
Interest Income	579,979	725,819	931,400	1,283,521	1,777,165
Interest Expenses	340,222	421,375	505,996	767,197	1,031,474
Net Interest Income	**239,757**	**304,444**	**425,404**	**516,324**	**745,691**
Commission and discount	29,447	36,017	43,373	61,895	76,064
Other Operating Income	20,242	26,174	37,905	44,028	49,345
Exchange Income	25,388	44,277	39,658	97,673	90,909
Total Operating Income	**314,834**	**410,912**	**546,340**	**719,921**	**962,009**
Employees Expenses	45,494	54,920	72,073	84,545	118,858
Other Operating Expenses	57,356	64,631	81,203	109,784	137,749
Exchange Loss	-	-	-	-	-
Operating Profit Before Provision	**211,984**	**291,361**	**393,064**	**525,592**	**705,402**
Provisions for possible losses	60,913	37,771	25,414	39,509	17,741
Operating Profit	**151,071**	**253,590**	**367,650**	**486,082**	**687,661**
Non-Operating Income/ Expenses	59	409	10,649	2,489	11,458
Return From Loan Loss Provision	10,359	94,457	18,450	3,913	56,204
Profit From Ordinary activities	**161,489**	**348,456**	**396,749**	**492,485**	**755,323**
Extra ordinary Income /Expenses	(10,359)	(94,457)	(6,037)	7,617	(46,204)
Net Profit including all activities	**151,130**	**253,999**	**390,712**	**500,102**	**709,119**
Provision For Staff Bonus	13,739	23,091	35,519	45,464	64,465
Provision For Income Tax	40,804	72,433	112,135	137,204	194,811
-This Year	-	-	-	-	-
-Up to Last Year	-	-	-	-	-
Net Profit / Loss	**96,587**	**158,475**	**243,058**	**317,434**	**449,843**
Financial Indicators					
Core Capital to Risk Weighted Assets	9.94%	9.21%	10.50%	10.48%	11.25%
Capital Fund to Risk Weighted Assets	13.54%	12.20%	13.11%	12.42%	12.92%
Non-Performing Loan to Total Loan	2.60%	1.11%	0.86%	0.23%	0.72%
Weighted Average Interest Spread	2.74%	2.87%	3.44%	3.50%	3.75%
Net Interest Income (Rs. in thousand)	239,757	304,444	425,404	516,324	745,691
Return on Assets	1.08%	1.36%	1.81%	1.88%	2.30%
Credit to Deposit	78.74%	90.67%	87.62%	89.32%	80.97%
Liquid Assets to Total Assets	27.54%	15.98%	19.02%	19.50%	30.36%
Liquid Assets to Total Deposit	32.62%	18.54%	22.15%	23.47%	38.61%

14. Machhapuchchhre Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	715,000	821,651	901,339	1,479,270	1,627,196
Reserves and Surplus	216,091	185,641	262,008	220,928	146,314
Debenture & Bond	-	-	-	-	-
Borrowing	131,675	228,504	88,508		150,000
Deposit	7,893,298	9,475,452	11,102,242	15,596,791	18,535,917
Bills Payable	11,365	21,482	10,311	24,445	15,402
Proposed & Payable dividend	5,645	-	8,649	112	-
Tax Liabilities	10,462	7,372	3,037	11,765	-
Other Liabilities	86,294	70,228	122,454	157,472	203,961
Total Liabilities	**9,069,830**	**10,810,330**	**12,498,548**	**17,490,782**	**20,678,790**
Cash Balance	280,421	385,941	560,317	743,199	1,049,327
Balance With NRB	489,091	785,689	893,295	1,755,982	1,094,664
Bank Balance with Banks	44,412	112,451	134,951	267,468	315,726
Money At call	718,475	694,000	70,000		661,564
Investment	1,190,830	1,278,469	1,443,551	1,246,159	2,096,792
Loan and Advances	6,068,427	7,129,891	8,642,323	12,516,012	14,289,793
Fixed Assets	104,943	262,246	535,886	664,158	732,291
Non- Banking Assets	12,532	3,392	-	4,500	-
Other Assets	160,699	158,251	218,225	293,304	438,633
Total Assets	**9,069,830**	**10,810,330**	**12,498,548**	**17,490,782**	**20,678,790**
Interest Income	563,362	694,482	796,597	1,041,473	1,688,617
Interest Expenses	288,662	397,722	407,919	580,036	1,144,808
Net Interest Income	**274,700**	**296,760**	**388,678**	**461,437**	**543,809**
Commission and discount	33,401	34,305	35,616	38,017	49,904
Other Operating Income	13,691	49,039	30,072	57,136	60,634
Exchange Income	35,152	29,036	45,699	59,818	42,695
Total Operating Income	**356,944**	**409,140**	**500,065**	**616,408**	**697,042**
Employees Expenses	43,410	54,360	71,421	90,996	152,113
Other Operating Expenses	85,924	101,467	124,408	182,841	223,469
Exchange Loss	-	1,893	-	-	-
Operating Profit Before Provision	**227,610**	**251,420**	**304,236**	**342,571**	**321,460**
Provisions for possible losses	34,703	157,606	264,487	258,939	335,041
Operating Profit	**192,907**	**93,814**	**39,749**	**83,632**	**(13,581)**
Non-Operating Income/ Expenses	(9)	462	(48)	24	-
Return From Loan Loss Provision	20,149	48,185	135,405	110,738	117,796
Profit From Ordinary activities	**213,047**	**142,461**	**175,106**	**194,395**	**104,215**
Extra ordinary Income /Expenses	(1,530)	(14,319)	38	(500)	9,970
Net Profit including all activities	**211,517**	**128,142**	**175,144**	**193,895**	**114,185**
Provision For Staff Bonus	19,229	11,403	15,922	17,627	10,380
Provision For Income Tax	58,294	39,940	74,206	53,017	30,492
-This Year	-	-	-	-	-
-Up to Last Year	-	-	-	-	-
Net Profit / Loss	**133,994**	**76,799**	**85,016**	**123,251**	**73,313**
Financial Indicators					
Core Capital to Risk Weighted Assets	11.95%	10.68%	10.97%	10.96%	9.94%
Capital Fund to Risk Weighted Assets	12.79%	11.97%	12.29%	11.84%	11.24%
Non-Performing Loan to Total Loan	0.28%	1.16%	1.04%	2.33%	2.32%
Weighted Average Interest Spread	3.40%	3.38%	3.96%	3.60%	3.40%
Net Interest Income (Rs. in thousand)	274,700	296,760	388,678	461,437	543,809
Return on Assets	1.48%	0.69%	0.68%	0.70%	0.35%
Credit to Deposit	77.87%	77.25%	81.00%	83.00%	80.78%
Liquid Assets to Total Assets	26.87%	27.10%	19.89%	18.55%	24.27%
Liquid Assets to Total Deposit	30.87%	30.92%	22.39%	20.80%	27.07%

15. Kumari Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	625,000	750,000	1,070,000	1,304,936	1,306,016
Reserves and Surplus	238,851	275,630	294,885	320,017	479,743
Debenture & Bond	-	-	400,000	400,000	400,000
Borrowing	251,400	212,970	100,000	293,420	429,739
Deposit	7,768,957	10,557,416	12,774,281	15,710,925	17,432,253
Bills Payable	11,919	16,554	65,297	70,087	42,313
Proposed & Payable dividend	6,579	-	-	6,584	156,816
Tax Liabilities	296	11,007	(9,650)	235	-
Other Liabilities	107,274	94,734	331,786	432,361	275,594
Total Liabilities	**9,010,276**	**11,918,311**	**15,026,599**	**18,538,565**	**20,522,474**
Cash Balance	135,795	190,748	565,641	549,109	574,066
Balance With NRB	210,553	384,845	244,576	1,120,761	1,663,998
Bank Balance with Banks	43,282	96,520	123,624	106,430	485,765
Money At call	145,000	372,215	55,360	30,000	120,000
Investment	1,394,948	1,678,418	2,138,797	1,510,828	2,296,873
Loan and Advances	6,891,855	8,929,013	11,335,088	14,593,347	14,765,912
Fixed Assets	91,933	189,324	222,001	247,833	285,638
Non- Banking Assets	**3,592**	2,395	3,141	**-**	**-**
Other Assets	93,318	74,833	338,371	380,258	330,222
Total Assets	**9,010,276**	**11,918,311**	**15,026,599**	**18,538,565**	**20,522,474**
Interest Income	605,527	791,284	957,246	1,374,722	1,871,066
Interest Expenses	337,056	397,053	498,734	816,203	1,188,918
Net Interest Income	**268,471**	**394,231**	**458,512**	**558,520**	**682,148**
Commission and discount	26,281	40,764	48,494	79,104	100,337
Other Operating Income	10,003	15,281	17,805	19,747	41,614
Exchange Income	26,374	20,294	41,807	59,002	37,925
Total Operating Income	**331,129**	**470,570**	**566,618**	**716,372**	**862,024**
Employees Expenses	59,820	74,244	89,570	115,985	143,278
Other Operating Expenses	88,683	104,079	148,143	186,502	217,606
Exchange Loss	-	-	0		0
Operating Profit Before Provision	**182,626**	**292,247**	**328,905**	**413,885**	**501,140**
Provisions for possible losses	25,871	24,950	64,024	57,403	13,078
Operating Profit	**156,755**	**267,297**	**264,881**	**356,482**	**488,062**
Non-Operating Income/ Expenses	(39)	670	15,588	1,112	699
Return From Loan Loss Provision	5,117	6,264	7,241	47,021	14,824
Profit From Ordinary activities	**161,833**	**274,231**	**287,710**	**404,615**	**503,585**
Extra ordinary Income /Expenses	-	(817)	(4,531)	(876)	(352)
Net Profit including all activities	**161,833**	**273,414**	**283,179**	**403,739**	**503,233**
Provision For Staff Bonus	14,712	24,856	25,743	36,704	45,748
Provision For Income Tax	43,454	78,296	82,506	105,593	140,943
-This Year	-	-	-	-	-
-Up to Last Year	-	-	-	-	-
Net Profit / Loss	**103,667**	**170,262**	**174,930**	**261,443**	**316,542**
Financial Indicators					
Core Capital to Risk Weighted Assets	11.28%	10.26%	10.40%	9.09%	10.29%
Capital Fund to Risk Weighted Assets	12.36%	11.22%	14.41%	11.56%	12.34%
Non-Performing Loan to Total Loan	0.92%	0.73%	1.32%	0.44%	0.50%
Weighted Average Interest Spread	4.58%	4.67%	4.30%	4.17%	3.28%
Net Interest Income (Rs. in thousand)	268,471	394,231	458,512	558,520	682,148
Return on Assets	1.15%	1.43%	1.16%	1.41%	1.59%
Credit to Deposit	90.20%	85.84%	92.00%	94.17%	79.45%
Liquid Assets to Total Assets	18.30%	19.65%	16.36%	10.75%	22.29%
Liquid Assets to Total Deposit	21.22%	22.19%	19.24%	12.68%	26.24%

16. Laxmi Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	609,917	729,697	913,196	1,174,952	1,613,520
Reserves and Surplus	69,116	134,696	243,179	168,267	298,810
Debenture & Bond	-	-	0	350,000	350,000
Borrowing	29,760	-	450,000	450,000	100,000
Deposit	4,444,351	7,611,653	10,917,232	16,051,303	18,082,958
Bills Payable	4,749	3,091	5,851	16,158	5,263
Proposed & Payable dividend	149	127	9,759	4,172	209,757
Tax Liabilities	-	-	-	5,001	2,802
Other Liabilities	47,148	103,424	155,804	166,559	289,139
Total Liabilities	**5,205,190**	**8,582,688**	**12,695,021**	**18,386,413**	**20,952,249**
Cash Balance	66,602	119,437	267,932	211,721	244,205
Balance With NRB	132,381	323,698	720,394	1,243,649	1,219,716
Bank Balance with Banks	26,140	26,587	249,834	377,407	376,782
Money at call	70,000	13,028	251,738	405,700	904,377
Investment	499,311	1,437,171	1,241,042	2,483,150	3,186,906
Loan and Advances	4,202,362	6,437,449	9,680,949	13,315,604	14,560,110
Fixed Assets	125,170	140,022	204,397	247,734	282,349
Non- Banking Assets	662	784	-	-	-
Other Assets	82,562	84,512	78,735	101,447	177,804
Total Assets	**5,205,190**	**8,582,688**	**12,695,021**	**18,386,413**	**20,952,249**
Interest Income	319,253	470,495	711,006	1,098,985	1,787,692
Interest Expenses	190,590	280,278	421,872	712,348	1,135,609
Net Interest Income	**128,663**	**190,217**	**289,134**	**386,637**	**652,083**
Commission and discount	15,039	15,156	20,943	29,635	46,867
Other Operating Income	9,789	15,710	25,482	70,917	60,031
Exchange Income	9,426	20,904	46,637	51,005	47,563
Total Operating Income	**162,917**	**241,987**	**382,196**	**538,194**	**806,544**
Employees Expenses	37,641	48,785	63,995	86,407	122,405
Other Operating Expenses	50,123	63,547	83,849	112,973	142,169
Exchange Loss	-	-	-	-	-
Operating Profit Before Provision	**75,153**	**129,655**	**234,352**	**338,814**	**541,970**
Provisions for possible losses	15,626	22,756	36,407	41,360	28,766
Operating Profit	**59,527**	**106,899**	**197,945**	**297,454**	**513,204**
Non-Operating Income/ Expenses	(8,971)	(8,365)	(7,995)	(7,595)	1,325
Return From Loan Loss Provision	5,866	10,969	11,809	7,105	3,644
Profit From Ordinary activities	**56,422**	**109,503**	**201,759**	**296,964**	**518,173**
Extra ordinary Income /Expenses	(724)	(4,309)	(7,637)	(4,413)	(4,366)
Net Profit including all activities	**55,698**	**105,194**	**194,122**	**292,551**	**513,807**
Provision For Staff Bonus	5,064	9,563	17,647	26,596	46,710
Provision For Income Tax	15,250	30,052	56,444	76,956	140,060
-This Year	-	-	0		
-Up to Last Year	-	-	0		
Net Profit / Loss	**35,384**	**65,579**	**120,031**	**188,999**	**327,037**
Financial Indicators					
Core Capital to Risk Weighted Assets	13.71%	11.33%	10.10%	8.47%	11.17%
Capital Fund to Risk Weighted Assets	14.96%	12.43%	11.17%	11.48%	13.71%
Non-Performing Loan to Total Loan	0.78%	0.35%	0.13%	0.08%	0.12%
Weighted Average Interest Spread	3.24%	3.20%	3.40%	3.71%	3.55%
Net Interest Income (Rs. in thousand)	128,663	190,217	289,134	386,637	652,083
Return on Assets	0.79%	0.95%	1.13%	1.22%	1.66%
Credit to Deposit	96.30%	85.78%	89.72%	83.88%	81.49%
Liquid Assets to Total Assets	13.82%	17.02%	17.13%	16.98%	20.12%
Liquid Assets to Total Deposit	16.18%	19.19%	19.92%	19.45%	23.31%

17. Siddhartha Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	500,000	600,000	828,000	952,200	1,310,436
Reserves and Surplus	103,141	193,710	240,346	326,545	293,106
Debenture & Bond	-	-	-	227,770	227,770
Borrowing	181,150	430,000	205,133	327,600	345,000
Deposit	3,918,076	6,625,078	10,191,441	15,854,798	20,197,029
Bills Payable	-	-	15,884	17,877	35,704
Proposed & Payable dividend	-	4,737	6,537	7,517	131,457
Tax Liabilities	1,113	5,203	11,155	4,846	7,439
Other Liabilities	53,455	95,936	169,860	162,597	254,488
Total Liabilities	**4,756,935**	**7,954,664**	**11,668,356**	**17,881,750**	**22,802,429**
Cash Balance	64,977	130,442	149,007	270,946	326,868
Balance With NRB	48,831	380,564	270,219	984,981	1,027,465
Bank Balance With Banks	2,138	6,220	18,199	291,757	1,052,277
Money At call	100,000	229,446	584,736	484,840	699,042
Investment	650,979	865,189	1,150,096	2,176,428	2,452,475
Loan and Advances	3,789,123	6,222,587	9,335,598	13,328,622	16,653,852
Fixed Assets	39,692	46,667	72,398	172,158	360,426
Non- Banking Assets	480	10,173	-	-	-
Other Assets	60,715	63,376	88,103	172,019	230,024
Total Assets	**4,756,935**	**7,954,664**	**11,668,356**	**17,881,750**	**22,802,429**
Interest Income	305,561	481,524	729,872	1,265,582	2,018,291
Interest Expenses	153,709	271,711	408,189	813,619	1,406,489
Net Interest Income	**151,852**	**209,813**	**321,683**	**451,963**	**611,802**
Commission and discount	13,775	20,178	21,454	32,548	42,758
Other Operating Income	9,701	18,659	31,294	46,354	50,694
Exchange Income	12,051	14,245	27,487	38,682	12,168
Total Operating Income	**187,379**	**262,895**	**401,918**	**569,547**	**717,422**
Employees Expenses	26,087	33,620	48,247	79,385	103,680
Other Operating Expenses	44,125	55,721	71,480	114,817	175,735
Exchange Loss	-	-	-	-	-
Operating Profit Before Provision	**117,167**	**173,554**	**282,191**	**375,346**	**438,007**
Provisions for possible losses	16,473	20,544	48,048	39,842	65,322
Operating Profit	**100,694**	**153,010**	**234,143**	**335,503**	**372,685**
Non-Operating Income/ Expenses	3	35	506		10,858
Return From Loan Loss Provision	-	-	4,031	8,857	-
Profit From Ordinary activities	**100,697**	**153,045**	**238,680**	**344,361**	**383,543**
Extra ordinary Income /Expenses	-	-	0	(8,857)	-
Net Profit including all activities	**100,697**	**153,045**	**238,680**	**335,503**	**383,543**
Provision For Staff Bonus	9,154	13,913	21,698	30,500	34,868
Provision For Income Tax	26,290	43,826	73,808	87,087	107,828
-This Year	-	-	-	-	-
-Up to Last Year	-	-	-	-	-
Net Profit / Loss	**65,253**	**95,306**	**143,174**	**217,916**	**240,847**
Financial Indicators					
Core Capital to Risk Weighted Assets	13.29%	10.78%	10.19%	8.26%	8.00%
Capital Fund to Risk Weighted Assets	14.16%	11.84%	11.14%	10.39%	10.04%
Non-Performing Loan to Total Loan	0.87%	0.34%	0.69%	0.45%	0.53%
Weighted Average Interest Spread	4.07%	3.57%	3.71%	3.45%	3.94%
Net Interest Income (Rs. in thousand)	151,852	209,813	321,683	451,963	611,802
Return on Assets	1.37%	1.20%	1.23%	1.22%	1.06%
Credit to Deposit	98.75%	95.39%	93.03%	85.18%	83.65%
Liquid Assets to Total Assets	12.91%	17.25%	16.05%	20.84%	19.77%
Liquid Assets to Total Deposit	15.68%	20.72%	18.37%	23.50%	22.32%

18. Agriculture Development Bank Ltd. Nepal

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	6,478,000	7,528,000	10,777,500	10,777,500	9,437,500
Reserves and Surplus	(7,313,358)	(6,254,909)	(5,442,189)	(452,327)	1,430,001
Debenture & Bond	-	-	0		2,300,000
Borrowing	513,532	373,947	257,373	198,250	259,562
Deposit	29,631,817	32,416,358	32,553,827	35,159,610	32,472,569
Bills Payable	-	-	-	-	-
Proposed & Payable dividend	-	-	-	276,000	276,000
Tax Liabilities	748,270	284,744	365,242	597,719	941,920
Other Liabilities	5,239,362	3,812,071	5,174,996	5,261,987	6,902,674
Total Liabilities	**35,297,623**	**38,160,211**	**43,686,749**	**51,818,739**	**54,020,226**
Cash Balance	746,812	749,552	905,235	1,413,971	1,366,731
Balance With NRB	3,018,299	2,001,144	1,806,731	2,717,813	1,759,468
Bank Balance With Banks	1,006,589	938,625	912,032	1,075,869	1,035,206
Money At call	-	161,599	49,995	2,244,198	1,611,342
Investment	1,511,330	3,177,461	4,757,097	4,896,062	4,540,084
Loan and Advances	24,900,914	27,252,333	30,589,428	32,603,096	33,876,957
Fixed Assets	882,083	788,868	781,149	803,333	968,745
Non- Banking Assets	-	-	-	-	-
Other Assets	3,231,596	3,090,629	3,885,082	6,064,398	8,861,693
Total Assets	**35,297,623**	**38,160,211**	**43,686,749**	**51,818,739**	**54,020,226**
Interest Income	4,095,069	4,623,096	3,961,131	4,231,143	5,464,857
Interest Expenses	1,501,368	1,605,867	1,641,207	1,157,071	1,507,997
Net Interest Income	**2,593,701**	**3,017,229**	**2,319,924**	**3,074,072**	**3,956,860**
Commission and discount	42,262	49,818	71,139	90,045	101,727
Other Operating Income	164,861	232,033	350,676	382,246	318,804
Exchange Income	2,834	-	11,955	22,096	0
Total Operating Income	**2,803,658**	**3,299,080**	**2,753,694**	**3,568,459**	**4,377,391**
Employees Expenses	1,775,337	1,306,805	1,849,133	2,486,716	2,679,861
Other Operating Expenses	254,889	277,546	288,020	300,691	330,022
Exchange Loss	-	14,061	-	-	5,576
Operating Profit Before Provision	**773,432**	**1,700,668**	**616,541**	**781,052**	**1,361,932**
Provisions for possible losses	149,285	337,783	2,677,476	2,184,688	2,582,234
Operating Profit	**624,147**	**1,362,885**	**(2,060,935)**	**(1,403,636)**	**(1,220,302)**
Non-Operating Income/ Expenses	117,765	7,419	18,336	634,989	19,474
Return From Loan Loss Provision	549,333	1,803,214	4,064,478	1,381,932	2,469,671
Profit From Ordinary activities	**1,291,245**	**3,173,518**	**2,021,879**	**613,284**	**1,268,843**
Extra ordinary Income /Expenses	(355,266)	(1,883,003)	(1,212,162)	1,106,749	667,292
Net Profit including all activities	**935,979**	**1,290,515**	**809,717**	**1,720,033**	**1,936,135**
Provision For Staff Bonus	69,332	95,594	59,979	127,410	143,417
Provision For Income Tax	148,270	136,473	80,499	535,023	(99,667)
-This Year	-	-	-	-	-
-Up to Last Year	-	-	-	-	-
Net Profit / Loss	**718,377**	**1,058,448**	**669,239**	**1,057,600**	**1,892,385**
Financial Indicators					
Core Capital to Risk Weighted Assets	-2.08%	2.68%	6.09%	11.04%	14.66%
Capital Fund to Risk Weighted Assets	-2.07%	4.84%	11.41%	15.69%	19.19%
Non-Performing Loan to Total Loan	20.59%	17.96%	11.69%	9.71%	8.36%
Weighted Average Interest Spread	5.85%	5.88%	4.52%	5.87%	6.09%
Net Interest Income (Rs. in thousand)	2,593,701	3,017,229	2,319,924	3,074,072	3,956,860
Return on Assets	-	-	0.00%	2.04%	3.50%
Credit to Deposit	112.42%	106.24%	112.44%	108.93%	121.90%
Liquid Assets to Total Assets	14.72%	14.70%	8.41%	21.08%	17.03%
Liquid Assets to Total Deposit	17.53%	17.31%	11.29%	31.07%	28.33%

19. Global Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital		510,000	700,000	1,000,000	1,473,350
Reserves and Surplus		(38,612)	22,622	48,927	47,672
Debenture & Bond		-	-	-	-
Borrowing		30,000	100,000	499,460	339,160
Deposit		3,023,616	7,319,702	10,932,984	15,031,548
Bills Payable		2,534	30,637	76,459	66,632
Proposed & Payable dividend		-	-	-	74,258
Tax Liabilities		-	282	-	-
Other Liabilities		9,178	92,473	68,643	168,795
Total Liabilities		**3,536,716**	**8,265,716**	**12,626,473**	**17,201,415**
Cash Balance		66,728	576,459	326,273	543,541
Balance With NRB		304,184	604,812	914,399	945,041
Bank Balance With Banks		102,128	86,712	141,470	945,756
Money At call		-	457,760	36,643	-
Investment		389,480	1,187,415	1,620,121	2,270,487
Loan and Advances		2,564,140	5,084,730	9,063,092	11,960,452
Fixed Assets		52,509	105,386	224,351	284,400
Non- Banking Assets		-	-	-	-
Other Assets		57,547	162,442	300,124	251,738
Total Assets		**3,536,716**	**8,265,716**	**12,626,473**	**17,201,415**
Interest Income		65,103	357,911	683,933	1,464,978
Interest Expenses		40,325	218,947	459,784	962,010
Net Interest Income		**24,778**	**138,964**	**224,150**	**502,968**
Commission and discount		3,969	18,991	46,019	54,618
Other Operating Income		2,086	9,670	33,841	75,488
Exchange Income		6,479	26,541	30,210	35,362
Total Operating Income		**37,312**	**194,166**	**334,220**	**668,436**
Employees Expenses		12,706	41,962	66,322	100,256
Other Operating Expenses		24,794	60,107	132,894	209,346
Exchange Loss		-	-	-	-
Operating Profit Before Provision		**(188)**	**92,097**	**135,004**	**358,834**
Provisions for possible losses		38,425	16,917	70,218	195,065
Operating Profit		**(38,613)**	**75,180**	**64,785**	**163,769**
Non-Operating Income/ Expenses		-	-	-	440
Return From Loan Loss Provision		-	-	-	-
Profit From Ordinary activities		**(38,613)**	**75,180**	**64,785**	**164,209**
Extra ordinary Income /Expenses		-	-	-	-
Net Profit including all activities		**(38,613)**	**75,180**	**64,785**	**164,209**
Provision For Staff Bonus		-	6,834	5,890	14,928
Provision For Income Tax		-	7,112	3,291	76,278
-This Year		-	-	-	-
-Up to Last Year		-	-	-	-
Net Profit / Loss		**(38,613)**	**61,234**	**55,605**	**73,003**
Financial Indicators					
Core Capital to Risk Weighted Assets		14.00%	10.95%	9.42%	10.50%
Capital Fund to Risk Weighted Assets		16.00%	11.80%	10.31%	11.39%
Non-Performing Loan to Total Loan		-	-	0.09%	0.85%
Weighted Average Interest Spread		3.25%	3.05%	3.05%	3.05%
Net Interest Income (Rs. in thousand)		24,778	138,964	224,150	502,968
Return on Assets		-1.15%	0.75%	0.21%	0.42%
Credit to Deposit		86.00%	70.22%	83.78%	83.48%
Liquid Assets to Total Assets		16.90%	29.61%	21.90%	25.50%
Liquid Assets to Total Deposit		19.77%	33.43%	25.30%	29.18%

20. Citizens Bank International Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital		560,000	560,000	1,000,000	1,206,950
Reserves and Surplus		(15,420)	39,421	34,073	101,319
Debenture & Bond		-	-		
Borrowing		1,372,569	476,074	250,000	651,151
Deposit		1,553,170	6,139,579	11,524,426	14,214,482
Bills Payable		1,297	4,209	4,166	2,430
Proposed & Payable dividend		-	-	100,000	126,316
Tax Liabilities		-	-	-	-
Other Liabilities		15,680	50,017	53,409	214,237
Total Liabilities		**3,487,296**	**7,269,300**	**12,966,074**	**16,516,885**
Cash Balance		46,111	316,759	366,875	626,708
Balance With NRB		76,725	299,590	1,134,215	1,596,432
Bank Balance With Banks		23,985	116,134	154,264	222,478
Money At call		-	442,682	900,400	234,981
Investment		1,221,389	1,174,029	2,027,338	2,680,168
Loan and Advances		2,026,210	4,750,342	8,128,114	10,785,658
Fixed Assets		73,809	126,104	121,659	163,856
Non- Banking Assets		-	-	-	-
Other Assets		19,067	43,660	133,211	206,604
Total Assets		**3,487,296**	**7,269,300**	**12,966,074**	**16,516,885**
Interest Income		26,955	396,842	758,256	1,398,830
Interest Expenses		14,830	252,028	508,802	950,898
Net Interest Income		**12,125**	**144,814**	**249,454**	**447,932**
Commission and discount		664	9,028	12,295	25,135
Other Operating Income		6,782	24,537	45,805	67,846
Exchange Income		582	8,900	8,825	15,275
Total Operating Income		**20,153**	**187,279**	**316,379**	**556,188**
Employees Expenses		6,030	29,049	40,219	63,465
Other Operating Expenses		9,026	51,719	91,673	131,632
Exchange Loss		-	-	-	-
Operating Profit Before Provision		**5,097**	**106,511**	**184,487**	**361,091**
Provisions for possible losses		20,517	27,466	34,119	57,124
Operating Profit		**(15,420)**	**79,045**	**150,368**	**303,967**
Non-Operating Income/ Expenses		-	244	273	1,173
Return From Loan Loss Provision		-	0	0	
Profit From Ordinary activities		**(15,420)**	**79,289**	**150,641**	**305,140**
Extra ordinary Income /Expenses		-	0	0	0
Net Profit including all activities		**(15,420)**	**79,289**	**150,641**	**305,140**
Provision For Staff Bonus		-	7,208	13,695	27,740
Provision For Income Tax		-	17,240	41,137	83,839
-This Year		-	-	-	-
-Up to Last Year		-	-	-	-
Net Profit / Loss		**(15,420)**	**54,841**	**95,810**	**193,561**
Financial Indicators					
Core Capital to Risk Weighted Assets		21.07%	11.18%	10.79%	10.51%
Capital Fund to Risk Weighted Assets		21.86%	12.08%	11.65%	11.40%
Non-Performing Loan to Total Loan		-	0	0.00%	0.31%
Weighted Average Interest Spread		3.24%	4.46%	4.91%	3.73%
Net Interest Income (Rs. in thousand)		12,125	144,814	249,454	447,932
Return on Assets		-0.44	0.75%	0.74%	1.17%
Credit to Deposit		130.46%	78.15%	71.24%	76.86%
Liquid Assets to Total Assets		4.21%	18.61%	22.31%	24.44%
Liquid Assets to Total Deposit		9.45%	22.03%	25.10%	28.40%

21. Prime Commercial Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital			9	963,755	1,373,755
Reserves and Surplus			28,007	65,449	164,645
Debenture & Bond			-	-	-
Borrowing			265,502	539,364	448,800
Deposit			5,275,649	11,779,989	17,883,518
Bills Payable			753	9,809	29,425
Proposed & Payable dividend			-	5,263	115,789
Tax Liabilities			-	-	4,889
Other Liabilities			118,586	93,259	198,008
Total Liabilities			**6,388,497**	**13,456,887**	**20,218,829**
Cash Balance			92,185	279,676	761,017
Balance With NRB			178,191	950,917	2,035,518
Bank Balance With Banks			27,891	148,733	711,944
Money At call			450,000		453,826
Investment			378,563	2,097,042	2,038,603
Loan and Advances			5,104,412	9,732,585	13,946,600
Fixed Assets			40,333	108,064	162,574
Non- Banking Assets			-	-	-
Other Assets			116,922	139,870	108,747
Total Assets			**6,388,497**	**13,456,887**	**20,218,829**
Interest Income			224,530	822,685	1,749,859
Interest Expenses			121,365	564,655	1,193,075
Net Interest Income			**103,165**	**258,030**	**556,784**
Commission and discount			5,209	21,516	25,662
Other Operating Income			35,908	81,760	129,949
Exchange Income			3,403	10,961	21,772
Total Operating Income			**147,685**	**372,267**	**734,167**
Employees Expenses			21,954	34,320	57,518
Other Operating Expenses			29,197	68,315	109,996
Exchange Loss			-	-	-
Operating Profit Before Provision			**96,534**	**269,633**	**566,653**
Provisions for possible losses			51,559	46,749	57,541
Operating Profit			**44,975**	**222,883**	**509,112**
Non-Operating Income/ Expenses			-	-	4,986
Return From Loan Loss Provision			-	-	21
Profit From Ordinary activities			**44,975**	**222,883**	**514,119**
Extra ordinary Income /Expenses			-	-	-
Net Profit including all activities			**44,975**	**222,883**	**514,119**
Provision For Staff Bonus			4,089	20,265	46,738
Provision For Income Tax			12,879	59,936	142,396
-This Year			-	-	-
-Up to Last Year			-	-	-
Net Profit / Loss			**28,007**	**142,682**	**324,985**
Financial Indicators					
Core Capital to Risk Weighted Assets			12.31%	9.47%	9.78%
Capital Fund to Risk Weighted Assets			13.18%	10.38%	10.67%
Non-Performing Loan to Total Loan				0.00%	0.00%
Weighted Average Interest Spread			3.55%	3.57%	2.54%
Net Interest Income (Rs. in thousand)			103,165	258,030	556,784
Return on Assets			0.44%	1.06%	1.61%
Credit to Deposit			96.75%	82.62%	78.86%
Liquid Assets to Total Assets			14.70%	15.59%	25.68%
Liquid Assets to Total Deposit			17.80%	17.81%	29.03%

22. Bank of Asia Nepal Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital			700,000	1,000,000	1,500,000
Reserves and Surplus			4,462	15,955	84,990
Debenture & Bond			-		
Borrowing			500,000	1,409,657	876,440
Deposit			3,054,837	8,875,563	12,480,761
Bills Payable			3,380	153,198	21,401
Proposed & Payable dividend			-	50,000	157,895
Tax Liabilities			852	-	2,048
Other Liabilities			29,503	139,135	420,037
Total Liabilities			**4,293,034**	**11,643,508**	**15,543,572**
Cash Balance			73,150	236,519	268,765
Balance With NRB			254,304	496,654	480,866
Bank Balance With Banks			67,775	382,726	181,684
Money At call			369,776	915,050	749,332
Investment			703,081	1,727,036	2,415,874
Loan and Advances			2,727,703	7,635,757	11,107,422
Fixed Assets			61,058	167,870	242,789
Non- Banking Assets			-	-	-
Other Assets			36,187	81,897	96,840
Total Assets			**4,293,034**	**11,643,508**	**15,543,572**
Interest Income			190,517	584,258	1,370,272
Interest Expenses			127,236	378,200	870,269
Net Interest Income			**63,281**	**206,057**	**500,003**
Commission and discount			1,725	7,819	17,648
Other Operating Income			11,127	61,301	80,674
Exchange Income			2,663	10,904	27,164
Total Operating Income			**78,796**	**286,081**	**625,489**
Employees Expenses			18,800	53,665	101,919
Other Operating Expenses			25,279	87,832	151,764
Exchange Loss			0		
Operating Profit Before Provision			**34,717**	**144,585**	**371,806**
Provisions for possible losses			27,553	49,785	45,190
Operating Profit			**7,164**	**94,800**	**326,616**
Non-Operating Income/ Expenses			-	1,833	
Return From Loan Loss Provision			-	-	
Profit From Ordinary activities			**7,164**	**96,633**	**326,616**
Extra ordinary Income /Expenses			-	-	-
Net Profit including all activities			**7,164**	**96,633**	**326,616**
Provision For Staff Bonus			651	8,785	29,692
Provision For Income Tax			2,051	26,354	89,021
-This Year			-	26,690	-
-Up to Last Year			-	(335)	-
Net Profit / Loss			**4,462**	**61,494**	**207,903**
Financial Indicators					
Core Capital to Risk Weighted Assets			21.24%	11.06%	12.66%
Capital Fund to Risk Weighted Assets			22.08%	11.91%	13.06%
Non-Performing Loan to Total Loan			0	0.01%	0.27%
Weighted Average Interest Spread			2.85%	4.10%	3.68%
Net Interest Income (Rs. in thousand)			63,281	206,057	500,003
Return on Assets			0.21%	0.77%	1.53%
Credit to Deposit			90.19%	86.90%	89.00%
Liquid Assets to Total Assets			20.51%	19.31%	19.25%
Liquid Assets to Total Deposit			28.82%	25.34%	23.98%

23. Sunrise Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital			700,000	1,337,500	1,510,350
Reserves and Surplus			(27,209)	57,570	135,014
Debenture & Bond			-	-	-
Borrowing			487,873	365,614	150,000
Deposit			4,226,272	12,012,618	14,767,030
Bills Payable			9,124	20,921	8,736
Proposed & Payable dividend			-	-	125,000
Tax Liabilities			-	-	3,632
Other Liabilities			47,108	2,963,028	219,175
Total Liabilities			**5,443,168**	**16,757,251**	**16,918,937**
Cash Balance			34,933	316,399	395,427
Balance With NRB			244,532	3,950,334	974,460
Bank Balance With Banks			70,539	475,397	114,096
Money At call			15,570	674,150	126,090
Investment			595,009	1,910,210	2,465,338
Loan and Advances			3,995,604	8,953,332	12,045,228
Fixed Assets			106,149	272,931	365,088
Non- Banking Assets			-	-	-
Other Assets			80,832	204,499	433,210
Total Assets			**5,143,168**	**16,757,251**	**16,918,937**
Interest Income			174,204	774,066	1,546,891
Interest Expenses			101,339	510,001	962,288
Net Interest Income			**72,865**	**264,065**	**584,603**
Commission and discount			20,468	58,628	81,651
Other Operating Income			709	3,214	8,854
Exchange Income			10,909	35,583	42,783
Total Operating Income			**104,951**	**361,490**	**717,891**
Employees Expenses			31,130	75,474	124,094
Other Operating Expenses			51,847	121,822	199,803
Exchange Loss			-	-	-
Operating Profit Before Provision			**21,974**	**164,194**	**393,994**
Provisions for possible losses			62,100	57,497	83,093
Operating Profit			**(40,126)**	**106,697**	**310,901**
Non-Operating Income/ Expenses			-	4,211	74
Return From Loan Loss Provision			-	21,523	1,181
Profit From Ordinary activities			**(40,126)**	**132,432**	**312,156**
Extra ordinary Income /Expenses			-	-	-
Net Profit including all activities			**(40,126)**	**132,432**	**312,156**
Provision For Staff Bonus			-	12,039	28,377
Provision For Income Tax			(12,917)	35,613	79,428
-This Year			-	-	-
-Up to Last Year			-	-	-
Net Profit / Loss			**(27,209)**	**84,779**	**204,351**
Financial Indicators					
Core Capital to Risk Weighted Assets			13.92%	11.88%	10.47%
Capital Fund to Risk Weighted Assets			14.78%	12.66%	11.37%
Non-Performing Loan to Total Loan			-	0.0007%	1.04%
Weighted Average Interest Spread			2.88%	3.65%	4.92%
Net Interest Income (Rs. in thousand)			72,865	264,065	584,603
Return on Assets			-0.50%	0.51%	1.21%
Credit to Deposit			94.54%	74.53%	81.57%
Liquid Assets to Total Assets			12.67%	37.93%	18.55%
Liquid Assets to Total Deposit			15.42%	52.91%	21.26%

24. DCBL Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital		268,800	1,107,456	1,655,289	1,920,911
Reserves and Surplus		78,696	115,505	214,205	112,058
Debenture & Bond		-	-	-	-
Borrowing		50,000	350,995	290,000	-
Deposit		2,539,702	2,913,337	6,613,359	8,065,183
Bills Payable		813	241,028	22,500	2,650
Proposed & Payable dividend		4,451	1,499	5,601	9,191
Tax Liabilities		-	-	-	-
Other Liabilities		26,803	40,404	57,685	69,405
Total Liabilities		**2,969,265**	**4,770,224**	**8,858,639**	**10,179,398**
Cash Balance		15,831	33,272	87,949	135,515
Balance With NRB		129,546	153,024	551,213	274,339
Bank Balance With Banks		8,233	39,501	76,597	206,630
Money At call		268,440	663,063	1,021,576	935,615
Investment		42,615	68,571	497,813	882,973
Loan and Advances		2,329,207	3,608,620	6,353,976	7,401,715
Fixed Assets		137,524	172,440	220,448	248,677
Non- Banking Assets		13,136	-	-	-
Other Assets		24,733	31,733	49,067	93,934
Total Assets		**2,969,265**	**4,770,224**	**8,858,639**	**10,179,398**
Interest Income		255,936	308,678	587,877	930,032
Interest Expenses		131,248	151,131	347,983	598,033
Net Interest Income		**124,688**	**157,547**	**239,894**	**331,999**
Commission and discount		3,833	5,136	9,811	16,069
Other Operating Income		7,007	12,576	30,852	29,023
Exchange Income		375	5,157	14,913	10,441
Total Operating Income		**135,903**	**180,416**	**295,470**	**387,532**
Employees Expenses		29,430	43,699	52,752	65,649
Other Operating Expenses		23,109	27,904	39,466	50,592
Exchange Loss		-	-	-	-
Operating Profit Before Provision		**83,364**	**108,813**	**203,252**	**271,291**
Provisions for possible losses		9,532	30,803	38,208	21,982
Operating Profit		**73,832**	**78,010**	**165,045**	**249,309**
Non-Operating Income/ Expenses		71	783	-	683
Return From Loan Loss Provision		268	4,379	-	-
Profit From Ordinary activities		**74,171**	**83,172**	**165,045**	**249,992**
Extra ordinary Income /Expenses		-	3,250	-	2,219
Net Profit including all activities		**74,171**	**86,422**	**165,045**	**252,211**
Provision For Staff Bonus		6,742	7,857	15,004	22,928
Provision For Income Tax		22,325	23,608	46,985	70,909
-This Year		-	-	-	-
-Up to Last Year		-	-	-	-
Net Profit / Loss		**45,104**	**54,957**	**103,056**	**158,374**
Financial Indicators					
Core Capital to Risk Weighted Assets		12.71%	29.04%	20.27%	22.87%
Capital Fund to Risk Weighted Assets		13.57%	29.92%	20.99%	23.73%
Non-Performing Loan to Total Loan		2.67%	2.28%	1.59%	1.44%
Weighted Average Interest Spread		4.88%	2.51%	2.41%	3.15%
Net Interest Income (Rs. in thousand)		124,688	157,547	239,894	331,999
Return on Assets		1.52%	1.12%	1.15%	1.53%
Credit to Deposit		91.71%	123.87%	98.00%	93.56%
Liquid Assets to Total Assets		15.15%	18.51%	24.61%	23.46%
Liquid Assets to Total Deposit		17.71%	31.14%	32.97%	29.61%

25. NMB Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital		199,541	1,000,000	1,424,641	1,651,650
Reserves and Surplus		84,933	213,481	167,412	159,879
Debenture & Bond		-	-	-	-
Borrowing		937,254	278,112	313,961	380,255
Deposit		1,296,389	1,661,605	6,877,907	10,110,690
Bills Payable		811	24,103	5,447	9,531
Proposed & Payable dividend		63,664	8,507	7,588	150,150
Tax Liabilities		970	-	-	-
Other Liabilities		1,837,375	5,742,084	7,059,708	764,423
Total Liabilities		**4,420,937**	**8,927,892**	**15,856,664**	**13,226,578**
Cash Balance		3,078	17,915	201,847	239,918
Balance With NRB		12,787	506,384	717,404	522,558
Bank Balance With Banks		18,402	4,926,120	6,561,098	967,358
Money At call		1,975,298	93,404	875,527	582,309
Investment		854,678	1,242,902	1,857,563	2,715,957
Loan and Advances		1,395,885	1,939,967	5,194,211	7,808,119
Fixed Assets		80,177	132,720	223,814	255,294
Non- Banking Assets		259	-	-	-
Other Assets		80,373	68,480	225,200	135,065
Total Assets		**4,420,937**	**8,927,892**	**15,856,664**	**13,226,578**
Interest Income		237,933	251,409	402,583	866,182
Interest Expenses		140,253	139,095	254,261	559,544
Net Interest Income		**97,680**	**112,314**	**148,322**	**306,638**
Commission and discount		20,024	27,614	27,262	49,953
Other Operating Income		51,006	40,724	42,914	66,524
Exchange Income		-	0	9,343	23,006
Total Operating Income		**168,710**	**180,652**	**227,841**	**446,121**
Employees Expenses		14,212	20,123	40,274	55,958
Other Operating Expenses		13,970	32,222	76,983	108,343
Exchange Loss		-	97	-	-
Operating Profit Before Provision		**140,528**	**128,210**	**110,585**	**281,820**
Provisions for possible losses		19,512	32,387	42,195	40,253
Operating Profit		**121,016**	**95,823**	**68,390**	**241,567**
Non-Operating Income/ Expenses		-	600	1,712	1,983
Return From Loan Loss Provision		186	22,462	27,563	4,006
Profit From Ordinary activities		**121,202**	**118,885**	**97,666**	**247,556**
Extra ordinary Income /Expenses		-	-	-	1,005
Net Profit including all activities		**121,202**	**118,885**	**97,666**	**248,561**
Provision For Staff Bonus		11,018	10,808	8,879	22,596
Provision For Income Tax		35,046	35,255	25,834	69,892
-This Year		-	-	-	-
-Up to Last Year		-	-	-	(3,797)
Net Profit / Loss		**75,138**	**72,822**	**62,953**	**159,870**
Financial Indicators					
Core Capital to Risk Weighted Assets		11.76%	32.66%	18.42%	17.53%
Capital Fund to Risk Weighted Assets		13.31%	33.96%	19.03%	18.37%
Non-Performing Loan to Total Loan		1.73%	1.52%	0.51%	0.70%
Weighted Average Interest Spread		3.58%	2.41%	3.58%	3.19%
Net Interest Income (Rs. in thousand)		97,680	112,314	148,322	306,638
Return on Assets		-	0.82%	0.00	1.21%
Credit to Deposit		112.02%	120.96%	76.78%	78.44%
Liquid Assets to Total Assets		56.25%	70.78%	59.85%	29.51%
Liquid Assets to Total Deposit		191.82%	380.31%	137.97%	38.60%

25. Kist Bank Limited

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital				2,000,000	2,000,000
Reserves and Surplus				45,119	89,257
Debenture & Bond				-	-
Borrowing				130,000	600,000
Deposit				8,684,078	15,962,631
Bills Payable				16,011	9,030
Proposed & Payable dividend				77,118	100,000
Tax Liabilities				3,357	7,674
Other Liabilities				195,856	178,626
Total Liabilities				**11,151,537**	**18,947,218**
Cash Balance				383,620	563,286
Balance With NRB				638,941	1,027,274
Bank Balance With Banks				205,598	84,769
Money At call				1,184,504	1,366,279
Investment				1,085,100	2,057,666
Loan and Advances				6,803,439	12,345,845
Fixed Assets				714,439	1,149,484
Non- Banking Assets				-	-
Other Assets				135,895	352,615
Total Assets				**11,151,537**	**18,947,218**
Interest Income				594,757	1,517,073
Interest Expenses				338,979	967,324
Net Interest Income				**255,778**	**549,749**
Commission and discount				4,326	16,766
Other Operating Income				63,617	86,607
Exchange Income				44	2,789
Total Operating Income				**323,766**	**655,911**
Employees Expenses				42,550	142,974
Other Operating Expenses				97,769	236,496
Exchange Loss				-	-
Operating Profit Before Provision				**183,447**	**276,441**
Provisions for possible losses				46,584	58,890
Operating Profit				**136,863**	**217,551**
Non-Operating Income/ Expenses				505	2,405
Return From Loan Loss Provision				-	-
Profit From Ordinary activities				**137,368**	**219,956**
Extra ordinary Income /Expenses				-	-
Net Profit including all activities				**137,368**	**219,956**
Provision For Staff Bonus				12,488	19,996
Provision For Income Tax				35,217	55,822
-This Year				-	-
-Up to Last Year				-	-
Net Profit / Loss				**89,663**	**144,138**
Financial Indicators					
Core Capital to Risk Weighted Assets				20.27%	13.14%
Capital Fund to Risk Weighted Assets				20.96%	13.95%
Non-Performing Loan to Total Loan				0.22%	0.19%
Weighted Average Interest Spread				4.62%	3.69%
Net Interest Income (Rs. in thousand)				255,778	549,749
Return on Assets				0.80%	0.76%
Credit to Deposit				79.31%	78.22%
Liquid Assets to Total Assets				25.89%	24.74%
Liquid Assets to Total Deposit				33.25%	29.37%

26. Janata Bank Nepal Limited

(Rs. in '000'**)**

Capital and Liabilities	**FY 2005-06**	**FY 2006-07**	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**
Capital					1,400,000
Reserves and Surplus					46,166
Debenture & Bond					-
Borrowing					-
Deposit					855,362
Bills Payable					10,099
Proposed & Payable dividend					-
Tax Liabilities					1,995
Other Liabilities					24,247
Total Liabilities					**2,337,869**
Cash Balance					15,246
Balance With NRB					31,418
Bank Balance With Banks					1,226,227
Money At call					150,176
Investment					75,000
Loan and Advances					602,247
Fixed Assets					90,688
Non- Banking Assets					-
Other Assets					146,867
Total Assets					**2,337,869**
Interest Income					47,042
Interest Expenses					4,590
Net Interest Income					**42,452**
Commission and discount					490
Other Operating Income					5,208
Exchange Income					59
Total Operating Income					**48,209**
Employees Expenses					10,417
Other Operating Expenses					16,420
Exchange Loss					-
Operating Profit Before Provision					**21,372**
Provisions for possible losses					6,083
Operating Profit					**15,289**
Non-Operating Income/ Expenses					-
Return From Loan Loss Provision					-
Profit From Ordinary activities					**15,289**
Extra ordinary Income /Expenses					-
Net Profit including all activities					**15,289**
Provision For Staff Bonus					1,390
Provision For Income Tax					4,268
-This Year					
-Up to Last Year					
Net Profit / Loss					**9,631**
Financial Indicators					
Core Capital to Risk Weighted Assets					69.29%
Capital Fund to Risk Weighted Assets					0.00%
Non-Performing Loan to Total Loan					0.00%
Weighted Average Interest Spread					3.24%
Net Interest Income (Rs. in thousand)					42,452
Return on Assets					0.41%
Credit to Deposit					70.00%
Liquid Assets to Total Assets					64.08%
Liquid Assets to Total Deposit					175.14%

Consolidated Financials of the Public Banks (2008/09)

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	8,030,683	9,080,683	12,330,183	12,330,183	10,990,200
Reserves and Surplus	(33,886,073)	(31,274,60)8)	(28,463,151)	(18,820,214)	(13,591,576)
Debenture & Bond	-	-	-	-	2,300,000
Borrowing	6,588,701	4,198,418	4,594,471	6,042,523	6,424,453
Deposit	111,657,064	121,894,690	138,724,169	148,514,769	143,225,629
Bills Payable	141,705	124,433	120,522	80,621	78,460
Proposed & Payable dividend	40,465	49,303	57,157	341,025	364,687
Tax Liabilities	748,270	284,744	2,148,912	597,719	1,101,706
Other Liabilities	17,775,332	19,200,987	16,679,077	19,005,570	30,298,231
Total Liabilities	**111,096,147**	**123,558,650**	**139,045,115**	**168,092,196**	**181,191,790**
Cash Balance	3,059,917	3,733,381	10,727,750	4,943,703	4,615,081
Balance With NRB	12,239,368	10,934,619	6,237,372	17,750,265	17,374,248
Bank Balance With Banks	1,875,294	1,942,149	1,916,591	3,456,772	3,728,125
Money At call	-	381,599	599,995	2,644,198	1,611,342
Investment	27,556,935	31,899,837	35,771,230	33,709,641	23,345,347
Loan and Advances	49,290,622	55,639,542	65,044,378	76,405,926	87,677,826
Fixed Assets	1,494,638	1,434,141	1,454,230	1,504,935	2,187,450
Non- Banking Assets	105,927	110,137	51,453	23,317	634,377
Other Assets	15,473,446	17,483,245	17,242,116	27,653,440	40,017,994
Total Assets	**111,096,147**	**123,558,650**	**139,045,115**	**168,092,196**	**181,191,790**
Interest Income	8,426,924	8,828,648	8,764,801	10,365,389	12,537,567
Interest Expenses	3,125,829	3,321,262	3,439,450	3,016,560	3,659,377
Net Interest Income	**5,301,095**	**5,507,386**	**5,325,351**	**7,348,829**	**8,878,190**
Commission and discount	509,624	574,398	731,481	940,711	930,688
Other Operating Income	415,379	642,930	665,178	734,564	496,074
Exchange Income	198,121	-	131,362	143,403	76,815
Total Operating Income	**6,424,219**	**6,724,714**	**6,853,372**	**9,167,507**	**10,381,767**
Employees Expenses	3,588,158	3,221,071	4,071,613	5,516,293	6,875,205
Other Operating Expenses	972,165	893,853	876,896	991,022	1,002,668
Exchange Loss	-	73,273	30,484	-	18,643
Operating Profit Before Provision	**1,863,896**	**2,536,517**	**1,874,379**	**2,660,192**	**2,485,251**
Provisions for possible losses	1,419,647	805,081	3,361,590	3,000,045	2,924,380
Operating Profit	**444,249**	**1,731,436**	**(1,487,211)**	**(339,853)**	**(439,129)**
Non-Operating Income/ Expenses	167,903	89,142	100,150	753,402	117,212
Return From Loan Loss Provision	3,878,738	3,027,818	5,333,130	3,390,263	4,419,864
Profit From Ordinary activities	4,490,890	4,848,396	3,946,069	3,803,811	4,097,947
Extra ordinary Income /Expenses	(508,113)	(1,561,970)	(880,148)	1,410,249	878,973
Net Profit including all activities	**3,982,777**	**3,286,426**	**3,065,921**	**5,214,060**	**4,976,920**
Provision For Staff Bonus	317,377	247,642	232,929	403,811	336,749
Provision For Income Tax	148,270	136,473	155,767	934,713	308,499
-This Year	-	-	0	0	0
-Up to Last Year	-	-	0	0	0
Net Profit / Loss	**3,517,130**	**2,902,311**	**2,677,225**	**3,875,536**	**4,331,672**

Consolidated Financials of the Private Banks (2008/09)

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	8,819,081	11,404,669	19,099,758	29,059,364	38,306,758
Reserves and Surplus	2,026,468	2,844,731	6,415,176	11,610,367	13,134,919
Debenture & Bond	1,810,000	2,060,000	3,450,000	3,727,770	3,727,770
Borrowing	2,619,725	6,930,846	6,837,855	8,708,588	7,232,482
Deposit	180,328,222	219,284,231	294,047,480	415,628,591	487,607,044
Bills Payable	666,263	491,248	1,295,848	1,742,759	1,355,065
Proposed & Payable dividend	1,568,628	1,406,155	1,534,834	2,094,286	4,234,081
Tax Liabilities	60,426	88,374	147,431	196,302	124,013
Other Liabilities	3,093,625	6,720,779	11,016,644	16,815,944	8,478,590
Total Liabilities	**200,992,438**	**251,231,033**	**343,845,026**	**489,583,973**	**564,200,722**
Cash Balance	3,478,255	4,567,495	8,610,596	10,888,577	12,959,750
Balance With NRB	8,956,351	11,810,739	15,125,411	36,626,258	32,317,231
Bank Balance With Banks	2,100,107	2,845,142	9,793,666	14,048,720	14,493,660
Money At call	7,299,779	9,143,662	9,228,330	11,180,177	13,359,683
Investment	56,847,148	63,965,819	73,451,958	97,065,232	112,833,164
Loan and Advances	115,658,989	150,789,824	216,328,416	303,811,779	360,143,093
Fixed Assets	2,361,969	3,757,862	5,555,950	7,956,018	9,897,632
Non- Banking Assets	408,478	284,900	148,137	279,893	0
Other Assets	3,881,362	4,065,590	5,602,562	7,727,321	8,196,509
Total Assets	**200,992,438**	**251,231,033**	**343,845,026**	**489,583,974**	**564,200,722**
Interest Income	11,667,483	14,819,624	19,252,039	29,239,474	44,092,179
Interest Expenses	5,204,348	6,765,100	8,842,101	14,797,835	24,931,117
Net Interest Income	**6,463,135**	**8,054,524**	**10,409,938**	**14,441,639**	**19,161,062**
Commission and discount	1,108,275	1,312,605	1,601,282	2,024,320	2,387,822
Other Operating Income	415,520	698,881	963,902	1,420,649	1,737,795
Exchange Income	1,136,234	1,161,530	1,492,469	1,980,648	1,908,304
Total Operating Income	**9,123,164**	**11,227,540**	**14,467,591**	**19,867,256**	**25,194,983**
Employees Expenses	1,364,112	1,623,572	2,134,394	2,807,115	3,581,868
Other Operating Expenses	1,880,401	2,170,689	2,726,874	3,824,846	4,955,642
Exchange Loss	-	1,893	97	0	0
Operating Profit Before Provision	**5,878,651**	**7,431,386**	**9,606,226**	**13,235,294**	**16,657,473**
Provisions for possible losses	4,270,133	2,781,528	1,918,573	1,751,006	2,838,136
Operating Profit	**1,608,518**	**4,649,858**	**7,687,653**	**11,484,288**	**13,819,337**
Non-Operating Income/ Expenses	(10,865)	39,598	114,769	67,774	204,830
Return From Loan Loss Provision	704,395	1,297,889	3,139,802	3,192,402	2,696,174
Profit From Ordinary activities	2,302,048	5,987,345	10,942,224	14,744,465	16,720,341
Extra ordinary Income /Expenses	(440,189)	(546,018)	(1,034,521)	(212,479)	(728,436)
Net Profit including all activities	**1,861,859**	**5,441,327**	**9,907,703**	**14,531,985**	**15,991,905**
Provision For Staff Bonus	448,023	585,989	904,346	1,321,092	1,453,871
Provision For Income Tax	1,493,172	2,035,259	2,606,669	3,373,574	4,177,256
-This Year	-	-	-	26,690	-
-Up to Last Year	-	-	-	(335)	(3,797)
Net Profit / Loss	**(79,336)**	**2,820,079**	**6,396,688**	**9,837,319**	**10,364,575**

Consolidated Financials of the Banking Industry (2008/09)

(Rs. in '000')

Capital and Liabilities	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Capital	16,849,764	20,485,352	31,429,941	41,389,547	49,296,958
Reserves and Surplus	-31,859,605	(28,429,877)	(22,047,975)	(7,209,847)	(456,657)
Debenture & Bond	1,810,000	2,060,000	3,450,000	3,727,770	6,027,770
Borrowing	9,208,426	11,129,264	11,432,326	14,751,112	13,656,935
Deposit	291,985,286	341,178,921	432,771,649	564,143,360	630,832,673
Bills Payable	807,968	615,681	1,416,370	1,823,380	1,433,525
Proposed & Payable dividend	1,609,093	1,455,458	1,591,991	2,435,311	4,598,768
Tax Liabilities	808,696	373,118	2,296,343	794,021	1,225,719
Other Liabilities	20,868,957	25,921,766	22,333,166	35,821,514	38,776,821
Total Liabilities	**312,088,585**	**374,789,683**	**482,890,141**	**657,676,169**	**745,392,512**
Cash Balance	6,538,172	8,300,876	19,338,346	15,832,280	17,574,831
Balance With NRB	21,195,719	22,745,358	21,362,783	54,376,523	49,691,479
Bank Balance With Banks	3,975,401	4,787,291	11,710,257	17,505,491	18,221,785
Money At call	7,299,779	9,525,261	9,828,325	13,824,374	14,971,025
Investment	84,404,083	95,865,656	108,923,188	130,774,873	136,178,511
Loan and Advances	164,949,611	206,429,366	281,372,794	380,217,705	447,820,919
Fixed Assets	3,856,607	5,192,003	7,010,180	9,460,952	12,085,082
Non- Banking Assets	514,405	395,037.00	330,838	303,210	634,377
Other Assets	19,354,808	21,548,835	22,844,678	35,380,761	48,214,503
Total Assets	**312,088,585**	**374,789,683**	**482,721,389**	**657,676,170**	**745,392,512**
Interest Income	20,094,407	23,648,272	28,016,840	39,604,863	56,629,746
Interest Expenses	8,330,177	10,086,362	12,281,551	17,814,395	28,590,494
Net Interest Income	**11,764,230**	**13,561,910**	**15,735,289**	**21,790,469**	**28,039,252**
Commission and discount	1,617,899	1,887,003	2,332,763	2,965,031	3,318,510
Other Operating Income	830,899	1,341,811	1,629,080	2,155,213	2,233,869
Exchange Income	1,334,355	1,161,530	1,623,831	2,124,051	1,985,119
Total Operating Income	**15,547,383**	**17,952,254**	**21,320,963**	**29,034,763**	**35,576,750**
Employees Expenses	4,952,270	4,844,643	6,206,007	8,323,409	10,457,073
Other Operating Expenses	2,852,566	3,064,542	3,603,770	4,815,868	5,958,310
Exchange Loss	-	75,166	30,581	0	18,643
Operating Profit Before Provision	**7,742,547**	**9,967,903**	**11,480,605**	**15,895,486**	**19,142,724**
Provisions for possible losses	5,689,780	3,586,609	5,280,163	4,751,051	5,762,516
Operating Profit	**2,052,767**	**6,381,294**	**6,200,442**	**11,144,435**	**13,380,208**
Non-Operating Income/ Expenses	157,038	128,740	214,919	821,176	322,042
Return From Loan Loss Provision	4,583,133	4,325,707	8,472,932	6,582,665	7,116,038
Profit From Ordinary activities	**6,792,938**	**10,835,741**	**14,888,293**	**18,587,459**	**20,434,745**
Extra ordinary Income /Expenses	-948,302	(2,107,98)8)	(1,914,669)	1,197,770	150,537
Net Profit including all activities	**5,844,636**	**8,727,753**	**12,973,624**	**19,746,046**	**20,968,825**
Provision For Staff Bonus	765,400	833,631	1,137,275	1,724,903	1,790,620
Provision For Income Tax	1,641,442	2,171,732	2,762,436	4,308,287	4,485,755
-This Year	-	-	-	26,690	-
-Up to Last Year	-	-	-	(335)	(3,797)
Net Profit / Loss	**3,437,794**	**5,722,390**	**9,073,913**	**13,712,856**	**14,696,247**

Source: Annual Reports of all Commercial Banks