Bank Supervision Report 2011

Nepal Rastra Bank

Bank Supervision Department

Baluwatar, Kathmandu, Nepal

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NEPAL RASTRA BANK
BANK SUPERVISION REPORT-2011

The Bank Supervision Report 2011 is an annual report published by the Bank Supervision Department of the Nepal Rastra Bank (NRB). It reviews policy and operational issues affecting the banking sector and its regulators/supervisors and aims at disseminating information on supervision of commercial banks and other issues affecting the financial sector.

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Executive Director's Pen

Dear valued readers,

It is my pleasure to present the annual series of bank supervision report for the year 2011. This report is an attempt to cover various aspects of the Nepalese banking industry in a nutshell. It also incorporates the activities of the Bank Supervision Department during the fiscal year 2010/11 with an aim to benefit the readers by providing information on Nepalese banking industry in general and supervisory functions of Nepal Rastra Bank (NRB) in particular. Further, it attempts to cover the trends observed in the Nepalese banking industry and challenges posed to NRB in the course of regulation and supervision.

The overall performance of the banking industry during the year has remained satisfactory. The capital adequacy position of the banking industry as a whole improved significantly. All the banks, except two public sector banks namely Nepal Bank Limited (NBL) and Rastriya Banijya Bank Limited (RBBL) have met minimum regulatory capital. Similarly, the assets quality of the banks remains at the acceptable level.

The number of banks and financial institutions in the country rose significantly during the review periods. This has in turn intensified the level of competition in the local market. The increasing complexity of the banking business due to competition, service proliferation, intense use of information technology, service diversification with new markets, increasing banking habit of the public coupled with growing supervisory concern have brought about a paradigm shift in the Nepalese banking. With this sophistication, the risk exposure of the overall banking industry has augmented which necessitates the banks to come up with sound risk management practices. Risk management in the modern banking has gained a momentum due to the high degree of bank failures worldwide. The reverberation of global financial crisis is still shaking the economies and many of them are still paying for it. Keeping that in mind, Nepal Rastra Bank has already introduced and handed over 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, banking regulation and supervision. In the same two decades the world witnessed the maximum number of banking crises. The consequences of such crisis are far-reaching. Against this backdrop, it can be said that there is always a need for effective, sound and forward looking regulatory and supervisory authority to ensure the financial stability. Nepal Rastra Bank Act 2002 mandates Nepal Rastra Bank to act as the supervisor of the banks and financial institutions (BFIs). Hence, it is our obligation to maintain financial stability in the country irrespective of all the hardships and bottlenecks.

Effective implementation of New Capital Adequacy Framework with more advance approaches, reforming the government owned banks and providing level playing field to all commercial banks with an assurance of equal treatment remain the prime concerns of NRB. Strengthening supervisory capacity commensurate with huge number of BFIs and moving towards risk based supervision in the context of mounting risks and limited supervisory resources are again a big challenge. Similarly, encouraging banks for self-regulation, and making them more sensitive towards risk are some of the mammoth tasks. In the same way, increasing consumer credit, personal loans and multiple banking issues, difficulty in defining big borrowers, ever increasing degree and magnitude of shadow banking are yet some of the factors hindering prudent banking practices in the country. Again, lack of co-ordination among various economic sectors, lack of rating agency, inability to ensure strong corporate governance in the banking sector and inadequate or even obsolete institutional and legal arrangements are some of the issues that NRB needs to address immediately to maintain financial stability in the country. Maintaining financial stability, thus, is a Herculean task as the desired stability can be achieved only if the aforementioned problems are resolved in an effective and timely manner.

The planned activities of the Bank Supervision Department for the next five years are incorporated in NRB's Five Year Strategic Plan 2012-2016. As a part of the plan, Bank Supervision Department (BSD) has initiated to move towards risk-based supervision from its compliance based supervision approach. Ground works are being done in this respect with Technical Assistance from the IMF. Similarly, adopting advanced approaches of Basel II, preparing for Basel III and complying with the Basel Core Principles over the period are some of the major tasks to be performed. The global financial crises had taught us that the banking regulations should be formulated with consideration of the relationship between macroeconomic variables and banking parameters. On that realm, Bank Supervision Department (BSD) along with other concerned departments has worked towards publishing the first draft of "Financial Stability Report" for further deliberations. Likewise, operating manuals for Problem Bank Resolution Framework is being drafted under the technical assistance of the World Bank. Stress Testing guidelines have been implemented fully and the background analysis is being done for implementing liquidity based Prompt Corrective Action.

Finally, I would like to thank the staff of Bank Supervision Department for working diligently 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

Table of Contents

	Page no.
Chapter one	1-14
1.1 Introduction	1
1.2 Nepal Rastra Bank as a regulator and supervisor	5
1.3 The Commercial Banking	5
1.4 Ownership and Control	7
1.5 Scope of Operations: Public vs. Private	8
1.6 Access to Banking Services and Branch Network	9
1.7 Asset Share of Banks and Financial Institutions	11
1.8 Employment in the Banking Industry	12
1.9 Review of the Banking Legislation	13
Chapter Two	15-22
2.1 Banks and Supervision	15
2.2 Bank Supervision Department	17
2.3 Supervision Methodology	17
2.4 Organization of BSD	18
2.4.1 Onsite/Enforcement Unit	18
2.4.2 Off-site Supervision Unit	20
2.4.3 Policy, Planning and Analysis Unit	21
2.4.4 Internal Administration unit	22

Chapter Three 23-38

3.1 Background 23

3.2 Risk Based Supervision 24

3.3 Basel Core Principles (BCP) 25

3.4 Capital Adequacy Framework and its Implication in Nepal 27

3.4.1 Internal Capital Adequacy Assessment Process (ICAAP) 28

3.4.2 Prompt Corrective Action 29

3.5 Bank Exit Mechanism 31

3.6 Macro-Prudential Supervision 32

3.7 Financial Safety Net or Deposit Guarantee 32

3.8 Stress Testing 32

3.9 E-banking in Nepalese Commercial Banks 34

Chapter Four 39-48

4.1 Annual Action Plan of Bank Supervision Department 39

4.2 Corporate On-site Inspection Programs 40

4.3 Off-site Supervision 44

4.3.1 Cash Reserve Ratio (CRR) and Daily Liquidity Monitoring 44

4.3.2 Directed Lending 45

4.3.3 Statutory Liquidity Ratio (SLR) 45

4.3.4 Capital Adequacy Ratio 45

4.3.5 Annual Clearance for Publication of Financial Statements 46

4.4 Enforcement Activities 47

4.5 Policy and Planning Activities 47

4.5.1 Liquidity Monitoring Framework and Stress Testing Guidelines 47

4.5.2 Trainings, Seminars and Interaction Programs 48

4.5.3 Working Group for Nepal Contingency Planning Project 48

Chapter Five 49-64

5.1 Assets of the commercial banks 49

5.2. Composition of Assets 50

5.3 Composition of Liabilities 51

5.4 Capital 52

5.5 Deposit 53

5.6 Loans and Advances 54

5.6.1 Loans and Advances to Different Economic Sectors 55

5.6.2 Security used to Secure Loans and Advances 55

5.6.3 Types of Loans and Advances 56

5.7 Non-performing Loans 57

5.8 Non-Banking Assets 58

5.9 Investment 59

5.10 Earnings 61

5.11 Liquidity 63

Chapter Six 66-73

6.1 Background 65

6.2 Enforcing Capital Adequacy to Ensure a Level Playing Field 66

6.3 Enhancing Good Corporate Governance 67

6.4 Strengthening Supervisory Capacity 67

6.5 Coordination between Supervisors and Regulators 68

6.6 Basel Core Principles and adoption of International Best Practices 78

6.7 Implementation of Best Practices of Anti-Money Laundering 69

6.8 Promoting Self-regulation in Banking 70

6.9 Contingency Planning and Supervisory Strategies 70

6.10 Institutional Arrangement and Capacity Building 71

6.11 Strengthening Management Information System 71

6.12 Supervision of Systemically Important Financial Institutions 71

6.13 Controlling Ever-greening of Loans 72

6.14 Developing and Retaining Human Resources 72

6.15 Macroeconomic Environment 72

6.16 Changing Global Environment 73

Appendix

List of Table

Page No.

Table 1.1: Number of Bank and Financial Institutions 4

Table 1.2: List of Commercial Banks in Nepal 6

Table 1.3: Branches of Commercial Banks 9

Table 1.4: Region-wise Distribution of Branches 10

Table 1.5: Share of Banks and Financial Institutions 12

Table 3.1: Internet Banking 35

Table 3.2: SMS Banking 36

Table 3.3: Number of ATMs 37

Table 3.4: Distribution of ATMs across Development Regions 37

Table 3.5: Credit Cards 38

Table 3.6: Prepaid Cards 38

Table 4.1: Annual Action Plan of BSD, 2010/11 39

Table 4.2: Corporate On-site Examinations in 2010/11 40

Table 4.3: Special On-site Inspection in 2010/11 44

Table 4.4 Capital Adequacy Ratio at Commercial Banks 46

Table 5.1: Total Assets of Commercial Banks 49

Table 5.2: Composition of Liabilities 51

Table 5.3: Total Capital Fund of Commercial Banks 52

Table 5.4 : Capital Adequacy Ratio of Commercial Banks 53

Table 5.5: Deposit Mix of Commercial Banks 54

Table 5.6: Loans and Advances of Commercial Banks 54

Table 5.7: Loans and Advances to Different Economic Sectors 55

Table 5.8: Security used to Secure Loans and Advances 56

Table 5.9: Types of Loans and Advances 56

Table 5.10: Non-performing Loans of Commercial Banks 57

Table 5.11: NPL Ratio of Public and Private Banks 58

Table 5.12: Composition of NBAs of Commercial Banks 59

Table 5.13: Investment Portfolio of Banking Industry 60

Table 5.14: Composition of Total Income 61

Table 5.15: Liquid Assets and Deposit of the Banks 64

Table 5.16: Liquid Assets and Total Assets of the Banks 64

List of Charts

	Page No.
Chart 1.1: Banking Operations: Public vs. Private	9
Chart 1.2: Number of Bank Branches (Region- wise)	11
Chart 1.3: Employment in Private and Public Sector Banks	13
Chart 5.1: Total Assets of Commercial Banks	49
Chart 5.2: Composition of Assets of Commercial Banks	50
Chart 5.3: Composition of Liabilities of Commercial Banks	52
Chart 5.4: NPL Ratio of Public banks, Private banks & Industry	58
Chart 5.5: Composition of NBAs of the Commercial Banks	59
Chart 5.6: Investment Portfolio of Banking Industry	60
Chart 5.7: Interest Spread of Banks	62
Chart 5.8: Operating Efficiency of Banks	63
Chart 5.9: Liquidity Position of Commercial Banks	64

Abbreviation

AIG	Accord Implementation Group
ALCO	Asset Liability Committee
AMC	Asset Management Company
AML	Anti Money Laundering
ATMs	Automated Teller Machines
BAFIA	Bank and Financial Institutions Act
BCBS	Basel Committee on Banking Supervision
BCP	Basel Core Principles
BOD	Board of Directors
BSD	Bank Supervision Department
CAELS	Capital, Asset quality, Earning, Liquidity and Sensitivity to Market risk
CAMELS	Capital, Asset quality, Management, Earning, Liquidity and Sensitivity to Market risk
CEO	Chief Executive Officer
CIC	Credit Information Centre
CPG	Credit Policy Guidelines
CRA	Credit Rating Agency
CRR	Cash Reserve Ratio
DFID	Department for International Development
DRT	Debt Recovery Tribunal
DSL	Deprived Sector Lending

EWS	Early Warning Signals
HLCC	High level Co-ordination Committee
ICAAP	Internal Capital Adequacy Assessment Process
KYC	Know Your Customer
LC	Letter of Credit
LFAR	Long Form Audit Report
MIS	Management Information System
IT	Information Technology
NCPP	Nepal Contingency Planning Project
NPL	Non Performing Loan
NRB	Nepal Rastra Bank
PCA	Prompt Corrective Action
POT	Point of Transaction
RBS	Risk Based Supervision
RWE	Risk-weighted Exposures
SEBON	Securities Board of Nepal
SIFI	Systemically Important Financial Institution
SLR	Statutory Liquidity Ratio
SMS	Short Message Service
SOL	Single Obligor Limit
SPG	Senior Policy Group
SREP	Supervisory Review and Evaluation Process

CHAPTER-ONE

Nepalese Banking Industry

1.1 Introduction

Maintaining financial sector stability is a major challenge for bank regulators and supervisors throughout the world. Nepal Rastra Bank, being the Central Bank of Nepal understands the importance of maintaining financial stability as this has been expressed explicitly as one of the objectives of NRB in the NRB Act, 2002. A strong and sound financial system acts as a catalyst in promoting economic growth through efficient allocation of resources. It also makes capital more productive and creates additional employment opportunities. It is also important in reducing vulnerabilities to financial crisis and thereby helping the economy to save the social costs that accompany financial disruption. A sound and efficient financial system also allows better risk hedging and risk diversification opportunities.

Nepalese financial system is posed with more challenges in the last two decades owing to a rapid growth both vertically and horizontally. Increasing number of banks and financial institutions, their deposits, credits and total assets and other indicators have proved this fact. Following the growth, the Nepalese financial system has experienced many changes such as launching 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 non-banking financial institutions (which do not fall within the regulatory and supervisory realm of Nepal Rastra Bank) indulging in parallel banking activities, ensuring effective surveillance and maintain financial stability have proved to be more difficult.

Risk Management is an inevitable component of successful banking. Banking is a complex job made more complex by the fact that it runs on public money. Hence, the success of any bank depends largely on its ability to take prudent decisions at the backdrop of secure and reliable services and sound operational practices. Sound risk management 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.

Consumers today are more demanding than they were a decade ago. Hence, the trend and scope of commercial banking has been changing rapidly. Competition is getting stiffer thus warranting banks to enhance their competitiveness and efficiency by improving profitability, service quality, customer responsiveness and public accountability. Similarly, the banks also require adopting the prudent and self regulating practices for achieving banking efficiency, reducing overall risks and ensuring the safety of public deposits. Banks also need to encourage healthy competition and avoid risky behavior and practices for long-term sustainability. This can be attained by understanding the volatile nature of the business and working collectively for uplifting public confidence in the 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 ever evolving financial landscape coupled with an unprecedented development of technology. As such, the banks are obliged to adopt adequate and appropriate risk management practices and promote self-regulated internal environment. Effective risk management has always been central to safe and sound banking activities for various 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). Thirdly, it is imperative to move gradually towards Basel III, albeit with necessary customizations in the days to come.

Supervisory assessments based on the 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 with international best practices. The adoption of various emerging international supervisory practices, although with necessary customization, has juxtaposed the Nepalese banking with the global banking practices. However, the compliance based supervision approach is seemingly inadequate in the face of increasing sophistication in the banking industry. Nepal's transaction and compliance-based approach to banking supervision, is largely reactive, narrow in scope and is uniformly applied to all institutions. Furthermore, it is uniformly applied to all financial institutions to be supervised regardless of their size and scope of operation. Besides, it is largely on-site based, 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. The compliance-based supervision 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, economic growth depends on a country's financial sector's capability to develop institutions. At this juncture, the NRB's challenges are supporting the building of a financial system that is supportive to growth, while being dynamic to change for meeting the evolving needs of the economy.

The NRB, as the apex body of banking system in Nepal, has been working to build a healthy and efficient financial sector by improving regulation to make it at par with international standards. 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. NRB has focused its activities to ensure prudent banking practices in a self-regulated environment while trying to shift towards risk-based supervision for the effective utilization of scarce supervisory resources.

The number of banks and financial institutions licensed by Nepal Rastra Bank has increased tremendously in the last few years. Table 1.1 below depicts the number of banks and financial institutions in Nepal.

Table 1.1: Number of Bank and Financial Institutions licensed by NRB

(mid-July 2011)

S.N.	Type of financial Institutions	Class	2009	2010	2011
1	Commercial Banks	A	26	27	31
2	Development Banks	B	63	79	87
3	Finance Companies	C	77	79	79
4	Micro Finance Development Banks	D	15	18	21
5	Saving and Credit Co-operatives	Non-classified	16	15	16
6	Non-Government Organizations	Non-classified	45	45	38
	Total		**242**	**263**	**272**

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

1.2 Nepal Rastra Bank as a regulator and supervisor

The NRB Act, 2002, has made NRB an autonomous institution empowered to regulate and supervise Nepal's banking industry. As a regulator, it issues various policies, directives and circulars that are in line with international standards but also customized to match the local. As a supervisor, it supervises the activities of the banks and financial institutions based on the existing legal framework and guiding polices. At present there are four supervisory departments within NRB, viz, Bank Supervision Department, Development Bank Supervision Department, Finance Company Supervision Department and Micro Finance Promotion and Supervision Department. These departments have been established with the purpose of supervising the activities of the concerned bank and financial institutions. These supervision departments basically monitor compliance to rules, regulations and directives.

1.3 The Commercial Banking

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

As at mid July 2011, the numbers of commercial banks in Nepal were thirty-one. The public sector banks, which are three in number 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. 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. Banks also need to work together for raising public confidence in the financial system and by becoming more competitive to retain customers and mobilize resources from non-banking sector to banking. Adequate public disclosure has today become the worldwide concern and banks are also expected to properly manage risks to assure sound operations and security of public deposit. Nepalese banks are also expected to match the global standards.

Table 1.2: List of Commercial Banks in Nepal (mid July, 2011)

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

14	Machhapuchchhre Bank Limited (MBL)	2000/10/03	Pokhara
15	Kumari Bank Limited (KBL)	2001/04/03	Kathmandu
16	Laxmi Bank Limited (LXBL)	2002/04/03	Birgunj
17	Siddhartha Bank Limited (SBL)	2002/12/24	Kathmandu
18	Agriculture Development Bank Limited 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 (KiBL)	2009/05/07	Kathmandu
27	Janata Bank Nepal Limited (JBNL)	2010/04/05	Kathmandu
28	Mega Bank Nepal Limited (MBNL)	2010/07/23	Kathmandu
29	Commerz & Trust Bank Nepal Limited (CTBNL)	2010/09/20	Kathmandu
30	Civil Bank Limited (CBL)	2010/11/26	Kathmandu
31	Century Commercial Bank Limited (CCBL)	2011/03/10	Kathmandu

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

1.4 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 2011 there are 3 public sector banks and 28 private sector banks. Rastriya Banijya Bank Limited is the largest bank of Nepal in terms of deposit mobilization and is fully owned by the government of Nepal. The Government of Nepal owns 40.5o percent ownership in the equity capital of Nepal Bank Limited, the next Public Sector Bank. The Government of Nepal now owns 53.5 percent shares of Agriculture Development Bank Limited that was initially established as a development bank with 100 percent government ownership and was upgraded to commercial bank in 2006.

Moreover, the Government of Nepal invested Rs. 6.7 billion in irredeemable preference shares and Rs.2.3 billion in redeemable preference shares issued by Agriculture Development Bank Limited. The financial health of public banks was very poor and thus a reform program was initiated in these banks under the Financial Sector Reform Project with the technical assistance of the World Bank and DFID.

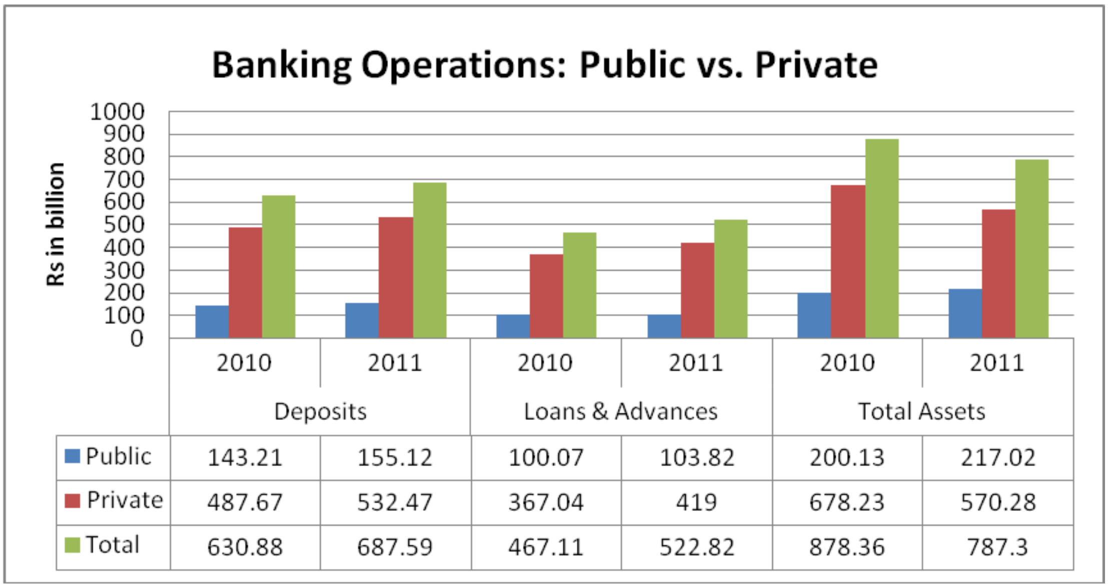
The private sector banks in Nepal can be further re-grouped into the local private banks and foreign joint-venture banks. The banks with the local private investment are local private banks while the banks with joint investment of both foreign institutions and local investors are joint-venture banks. As at mid July 2011, there were seven private joint venture banks, and 21 locally owned banks.

1.5 Scope of Operations: Public vs. Private

Nepal's public sector banks control a sizable chunk of deposits, loans and advances and total assets of the banking industry. They have continued to expand their branches despite the growth of private banks. Total deposits of the banking industry increased by 9.0 percent to Rs. 687.59 billion in mid July 2011 compared to the deposit of Rs. 630.88 billion in the previous year. Similarly, loans and advances of the banking industry increased by 11.93 percent to Rs. 522.85 billion compared to a total of Rs. 467.11 billion in mid July 2010. The total assets of the banking industry in mid July 2011 increased by 11.57 percent to Rs. 878.36 billion compared to Rs. 787.3 billion in the previous 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 shows deposits, loans and advances and total assets of the banking industry of public and private sector banks.

Chart 1.1: Banking Operations: Public vs. Private (mid July, 2011)



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

1.6 Access to Banking Services and Branch Network

Banking services have spread across the country, mainly due to 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 suburban areas and still a big chunk of population is derived from access to the banking services. More recently, banks have begun exploring distant markets within the country, which is a good sign.

The total number of bank branches increased to 1245 in mid-July 2011 from 1137 in July 2010. Three public sector banks had a total of 473 branches. The remaining 772 branches were of the other 28 private sector banks.

Table 1.3: Branches of Commercial Banks (Mid July 2011)

Name of Banks	2009	2010	2011
Nepal Bank Limited (NBL)	100	110	111
Rastriya Banijya Bank Limited (RBBL)	123	128	128
NABIL Bank Limited (NABIL)	32	37	46
Nepal Investment Bank Limited (NIBL)	31	40	41
Standard Chartered Bank Nepal Ltd. (SCBN)	13	16	16
Himalayan Bank Limited (HBL)	23	30	35
Nepal SBI Bank Limited (NSBI)	33	44	46

Nepal Bangladesh Bank Limited (NBBL)	17	19	19
Everest Bank Limited (EBL)	30	37	43
Bank of Kathmandu Limited (BOK)	30	37	39
Nepal Credit and Commerce Bank Ltd. (NCCBL)	17	17	17
Lumbini Bank Limited (LBL)	5	13	15
Nepal Industrial & Commercial Bank Ltd. (NIC)	21	26	34
Machhapuchchhre Bank Limited (MBL)	31	41	41
Kumari Bank Limited (KBL)	15	27	29
Laxmi Bank Limited (LXBL)	19	22	27
Siddhartha Bank Limited (SBL)	10	30	40
Agriculture Development Bank (ADBL)	86	97*	234*
Global Bank Limited (GBL)	16	28	28
Citizens Bank International Limited (CBIL)	10	18	30
Prime Commercial Bank Limited (PCBL)	8	17	24
Sunrise Bank Limited (SRBL)	21	41	47
Bank of Asia Nepal Limited (BOA)	21	27	29
DCBL Bank Limited (DCBL)	5	12	21
NMB Bank Limited (NMB)	9	15	18
Kist Bank Limited (KiBL)	26	51	51
Janata Bank Nepal Limited (JBNL)	-	3	13
Mega Bank Nepal Limited (MBNL)			14
Commerz & Trust Bank Nepal Limited (CTBNL)			7
Civil Bank Limited (CBL)			1
Century Commercial Bank Limited (CCBL)			1
Total	**752**	**980**	**1245**

** Also includes branches with development banking functions.*

(Source: Bank and Financial Institutions Department, NRB)

The ADBL has the largest number of branches (234) followed by RBBL (128) and NBL (111). While private banks have begun expanding their branches in the districts, their operations are still concentrated in Kathmandu valley, the country's main economic hub. The districts with highest number of bank branches are Kathmandu, Rupandehi and Kaski respectively.

Table 1.4: Region wise distribution of Branches (mid July 2011)

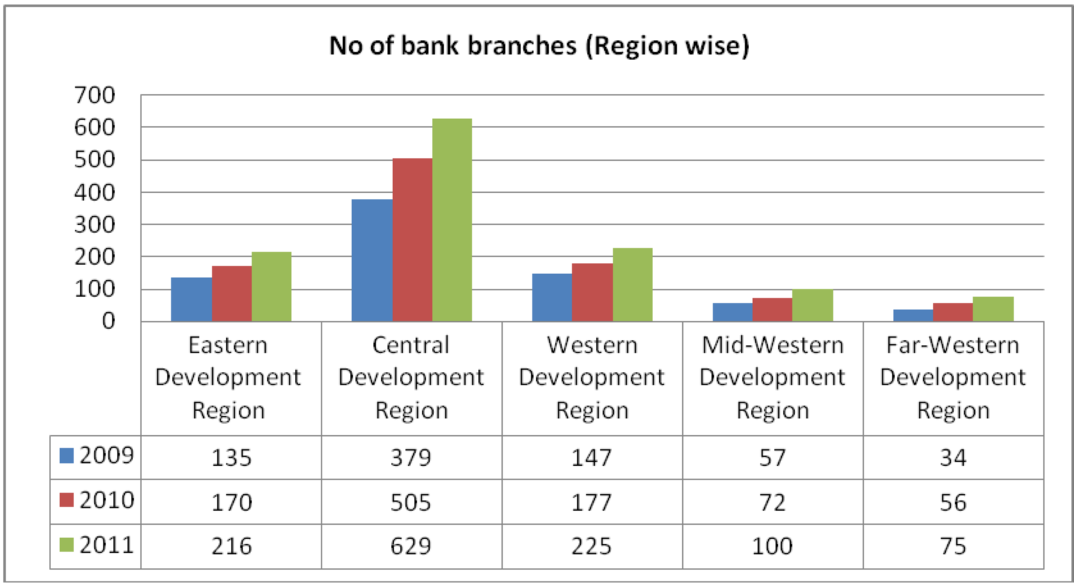
S. N.	Development Region	2009	2010	2011
1	Eastern Development Region	135	170	216
2	Central Development Region	379	505	629
3	Western Development Region	147	177	225

4	Mid-western Development Region	57	72	100
5	Far-western Development Region	34	56	75
	Total	**752**	**980**	**1245**

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

Most of the bank branches are located in the Central Development Region (629) followed by the Western and Eastern Development Regions with 225 and 216 branches respectively. The Far Western Development Region has the lowest number of bank branches.

Chart 1.2: Number of Bank Branches (Region wise)



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

1.7 Asset Share of Banks and Financial Institutions

The ever-increasing number of banks and financial institutions point towards an unprecedented financial deepening in Nepal. Increase in the number of banks and financial institutions also bring about a corresponding increase in total assets of the financial system. The respective shares of banks and financial institutions (licensed by Nepal Rastra Bank) in the total assets of financial system as of Mid July for three consecutive years are depicted in the table below.

Table 1.5: Asset share of banks and financial institutions (mid July 2011)

Bank and Financial Institutions	% Share 2009	% Share 2010	% Share 2011
Commercial Banks	82.1	76.7	75.3
Development Banks	6.9	10.6	12.0
Finance Companies	8.8	10.9	10.9
Micro Finance Development Banks	1.6	1.8	1.8
Other	0.6	0.0	0.0
Total	**100**	**100**	**100**

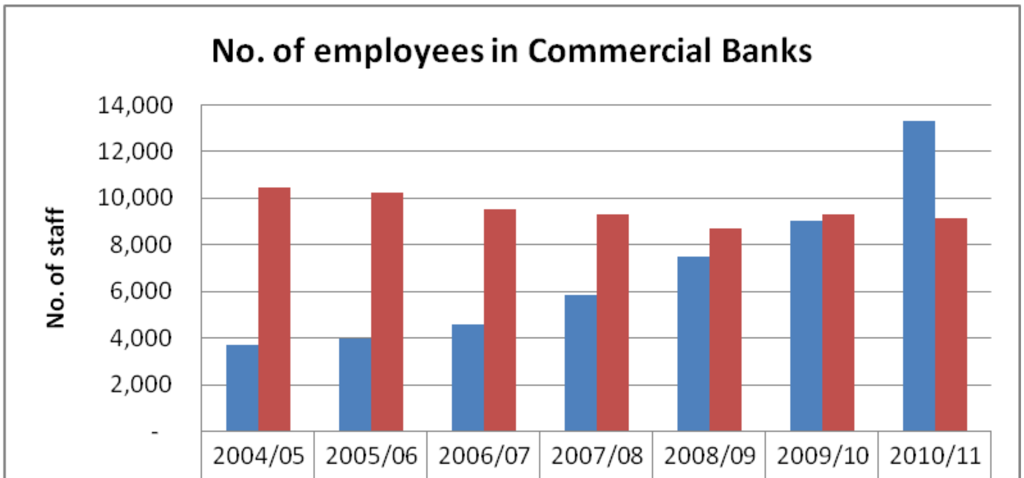
(Source: Bank and Financial Institutions Regulation Department, NRB)

Table 1.5 shows the dominance of commercial banks in Nepalese financial system. Although the share of assets of commercial banks in the total decreased to 75.3 percent in 2011 from 76.7 percent in 2010, yet the huge chunk of the financial asset still belong to the commercial banks. The total assets of the banks and financial institutions licensed by NRB increased to Rs. 1166 billion in 2011 compared to Rs. 1027 billion in 2010. The share of development banks and finance companies in total assets stood at 12 percent and 10.9 percent respectively, it was 10.6 percent and 10.9 percent 2010.

1.8 Employment in the Banking Industry

Commercial banks employed 9369 people in mid-July 2011. The number of staffs at the public sector banks was sizable (9111), which is explained by their low use of information and communication technology (ICT) and reliance on manual systems. In mid-July 2010, the public sector banks had 9263 employees while the private banks employed 9005 people. The staff number in private banks increased to 13291 and that of public sector banks to 9111 in 2011.

Chart 1.3: Employment in Private and Public Sector Banks (mid July, 2011)



	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Private	3,654	3972	4559	5797	7492	9005	13291
Public	10,422	10234	9501	9278	8656	9263	9111

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 to test their compliance status with the existing laws and regulations.

Nepal is moving towards deregulated banking system gradually. 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 to limit excessive risk taking by banks and financial institutions. The key documents that guide the NRB's regulatory decisions are the Nepal Rastra Bank Act, 2002, Bank and Financial Institutions Act, 2006, Company Act, 2006, Supervision By-laws, 2002, Unified Directives to licensed institutions, New Capital Adequacy Framework, 2007 (Updated), Monetary Policy, Anti Money Laundering Act 2064, Risk Management /Stress Testing Guidelines and international best practices in banking industries.

CHAPTER TWO

Bank Supervision

2.1 Banks and Supervision

A key function of a central bank is to maintain macroeconomic stability. Regardless of whether or not financial stability is explicitly mentioned in law, it is an implicit function required to maintain macroeconomic stability, and therefore the general expectation that it should work to maintain financial stability. Fundamental to the understanding is the fact that even if the central bank does not supervise banks and financial institutions, by providing window it will act for maintaining financial stability.

NRB has legal mandate and duty to promote safe and sound banking system and stable financial markets through supervision and regulation of banking, financial and payment systems. Section 84 of the Nepal Rastra Bank Act, 2002 empowers it to inspect and supervise the banks and financial institutions. NRB has authority to formulate and implement inspection and supervision bylaws confirming to international standards as basis for inspecting for supervising commercial banks. Supervision results in important information on the banking system that feeds into monetary policy formulation and decision-making processes, and also for taking timely measures for maintaining financial stability.

Banks play crucial role in the economy. They are specialized institutions that channelize resources from areas with surplus to those with deficits. In this process, banks also collect resources from the general public. In mobilizing resources from surplus to deficit sectors, banks operate with high leverage ratio. The inherent imbalance between 'own' funds and 'borrowed' funds in total asset structure is a peculiar feature of banking institutions and is an area of supervisory interest and concern. The shareholders of banks have small amounts of their own funds at stake and therefore, there is an underlying incentive for banks to take risks because they are using the fund of depositors. Supervision, therefore, is necessary to protect the interest of depositors and other stakeholders. In the absence of close supervision, there is a likelihood of stakeholders being put into “a head, I win, a tail, you lose” situation.

Banks are an important source of liquidity to an economy. As financial intermediaries they allocate funds and risks among individuals and firms by extending loans or buying securities with funds they receive as deposits. A bank failure can have an adverse impact in the financial system by influencing the operation of the payments system, which could have an impact on the overall economy.

Financial institutions are supervised all over the world because of the key role they play in the economy. Although the cost of supervision is high, the cost of no supervision or poor supervision is even higher. The cost of bank failure to society as a whole is higher than the private cost (the loss faced by shareholders). Depositors are generally not well informed to be able to monitor the portfolio behavior of banks, are also largely uninformed about compliance requirements, and have little or no influence on decisions taken by their bank. Therefore, bank supervision is important for,

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

The aforesaid reasons underscore the need for an independent and autonomous supervisory authority to conduct direct assessments of the banking system. Credible and effective supervision rest, among others, on the following elements:

- Adequate legal authority to oversee the scope, and conduct of business by banks and/or financial institutions it supervises.

- Operational independence to carry out its mandate without interference.
- Appropriate level of transparency in the formulation and execution of supervisory policies, as well as full accountability for the outcomes, and
- Sufficient staffs with requisite technical skills and experience.

The supervisory authority must be able to rely on immediately available and objective information based on expert assessment by supervisors about the health of individual banks and financial institutions. This is important for taking decisions to prevent crises from getting out of control.

2.2 Bank Supervision Department (BSD)

The NRB's Bank Supervision Department is responsible for executing the supervisory policies and practices as per governing laws and policies. The supervisory process includes on-site examination, analysis of policy and procedures, application review, supervisory action and implementation, off-site monitoring and reporting. The BSD is responsible for carrying out inspection and supervision of all commercial banks. It is organized in four units:

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

2.3 Supervision Methodology

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

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

The management of banks cannot be assessed only in terms of the returns submitted by the bank. Thus, off-site supervision does not use the CAMELS rating but has a separate rating, which uses the components of CAMELS except for "M" representing management. This rating is system is called CAELS. The off-site supervision unit ranks the banks regularly based on these components.

2.4 Organization of BSD

The BSD has divided its function into various /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 different committee, working groups and a High level Co-ordination Committee (HLCC) for sharing information among other regulatory authorities of Nepal. Committees are formed as and when needed basis for certain assigned tasks, and are generally of a temporary nature.

2.4.1 Onsite/Enforcement Unit

Onsite/Enforcement units are responsible to carry out onsite inspection and enforcement functions. The on-site examinations are conducted in accordance with the approved annual plan of the department. BSD is conducting corporate level onsite inspections of each commercial bank at least once a year. More than two-thirds of the department's human resources are deployed in these activities. The

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

- To determine the financial position of the banks and the quality of their portfolios and operations to ensure that they are not operating against the interests of depositors and customers.
- To assess and appraise the competence and capability of the bank's management and staff, because the quality of management determines the soundness of operations.
- To ascertain whether banks are complying with applicable laws, regulations and policies issued by NRB.
- To evaluate and verify bank's records, systems, and internal controls.
- To test the accuracy, validity and regularity of data submitted by banks to NRB, and
- To assess and analyze the risk management processes, procedures and systems adopted by banks.

Further, the BSD also carries out independent on-site assessment of corporate governance, internal control system, reliability of information provided, potentiality of business continuity etc. of the banks. The on-site examinations carried out by the BSD include:

a) Initial examination, which is generally conducted within six months of commencement of operation by a new bank.

b) Routine full-fledged, corporate-level inspection, which is the regular examination, generally carried out once in a year

c) Targeted Inspection, which addresses specific areas of operation of a bank e.g. credit, trade finance etc., and

d) Special inspection, which is carried out as and when needed.

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

2.4.2 Off-site Supervision Unit

This unit carries out off-site surveillance of all commercial banks. The core objective of this function is to conduct periodic financial reviews of banks in order to identify potential problems and to assess compliance to prevailing laws including their own statutes. It also provides feedback and flag areas that need to be focused during on-site inspections. The BSD has an Off-site Supervision Manual that spells out the objectives, procedures and documents needed. Key objectives of the off-site supervision unit of the BSD are:

- To obtain regular information on the financial condition and health of commercial banks.
- To identify potential problems of commercial banks.
- To help and strengthen the quality of on-site inspection.
- To ascertain the compliance status of applicable laws, regulations and directives by commercial banks, and
- To serve as an early warning system.

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

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

The unit monitors, reviews, and analyzes returns of commercial banks and prepares reports to detect emerging problems and early warning signs. The returns are used to evaluate the exposure to risks and the effect this could have on profits. The returns are basis for computing basic ratios (financial soundness indicators) to analyze capital adequacy, assets quality, earnings, liquidity and sensitivity to market risk (CAELS). The unit essentially carries out the duties of enforcement, follow up and periodic reviews as per the Capital Adequacy Framework 2007. Besides, the unit also compiles and analyses financial data and prepare reports on a regular, as well as, special case basis. Daily liquidity monitoring, forward-looking assessments and sensitivity analysis of commercial banks are recent additions to the regular offsite supervisory functions.

2.4.3 Policy, Planning and Analysis Unit

Financial integration, innovation and imbalances have created many challenges for regulators and supervisors. Continuous monitoring, follow up and evaluation of previous policies assist in attaining effectiveness for achieving the expected policy outputs. The adoption of international best practices with regard to regulation and supervision can assist in addressing challenges needed for building a safe, sound and stable financial system. The Policy, Planning and Analysis Unit of BSD reviews policy and undertake studies for improving supervisory tools and techniques. Supervisory functions need to match the rapid growth of the banking sector and the overall financial market and therefore the need for regular studies on changes and developments that are taking place. In this context, it is also necessary to develop and maintain relations with international supervisory agencies and this can help share knowledge and adopt new techniques. The Policy, Planning and Analysis Unit carry out the aforesaid functions and report new developments on a periodic basis.

Further, the Unit also reviews and formulates the annual plans of BSD in line with NRB's strategic plan. It is also responsible for coordinating interaction programs, seminars and workshops on the supervision-related issues also involving external stakeholders. The supervisory policies and guidelines are developed in an interactive and consultative way, where industry participants and stakeholders are allowed to comment on drafts before they are finalized.

2.4.4 Internal Administration Unit

The Internal Administration Unit performs the functions related to human resources and internal administration within the BSD. Its tasks include internal placement, issuance of travel orders, and keeping leave records and also serving as the back office. This Unit looks after procurements such as supply of office logistics and stationery in coordination with the General Services Department of NRB. This Unit also carries out coordination to assist other units to carry out the functions more effectively.

CHAPTER THREE

Current Issues in Bank Supervision

3.1 Background

The NRB's activities in banking supervision have often been determined by exogenous elements based mainly from changes in the structure and scope; activities and risks that the financial sector is facing and international changes in regulatory standards. The recent financial turmoil in the United States has underscored the importance of establishing better risk management regimes in the banking industry. The existing risk management culture based on normal business conditions and historical trends is not enough coping with the type of disorders that have been witnessed in the global financial systems. This has necessitated appropriate responses by regulatory and supervisory agencies.

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

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

Nepal Rastra Bank carried out the Parallel Run of the New Capital Adequacy Framework based on Basel II in FY 2007/08. The framework, brought into effect after meticulous impact studies and discussions with different stakeholders, requires banks to maintain capital based on risk exposure. The Parallel Run of Basel II was successful in orienting banks to identify, classify and assess various risks in order to make necessary capital management. However, as the banking sector is yet to mature, the advanced approaches prescribed for banks in international markets are largely not applicable in Nepal. Thus, the prescribed approaches have been customized and simplified for implementation in Nepalese banks and financial institutions.

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

3.2 Risk Based Supervision

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

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

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

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

3.3 Basel Core Principles (BCP)

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

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

- Financial transparency and effective corporate governance in banks and financial institutions,
- Balanced and stable fiscal policy,
- Effective supervision of the financial sector by all concerned regulatory bodies,
- A sound legal system with strong enforcement of laws associated with contract enforcement, bankruptcy, collateral and loan recovery,
- Accounting standards and disclosure requirements, which are broadly consistent with internationally accepted principles,
- Institutions such as Assets Management Companies, Credit Rating Agencies, Deposit Insurance and
- Laws on controlling financial crime and conflict of interest.

The BSD at NRB is closely monitoring the application of BCP in its supervisory policies and practices. The priority has been placed on addressing the BCP while developing policy documents suited to the Nepalese financial system and context.

During onsite inspection, supervisors also pay attention to superb policies and best practices of commercial banks in connection with their banking business.

3.4 Capital Adequacy Framework and its Implication in Nepal

NRB has implemented New Capital Adequacy Framework in commercial banks to align with international best practices and also to ensure that capital at banks are more risk sensitive and resilient to shocks. The structure and composition of the Nepalese financial market doesn't permit advanced approaches like the Internal Rating Based (IRB) or the Standardized Approach. Considering the market, NRB has adopted the simplified standardized approach for credit risk, basic indicator approach for operational risk, and the net open position approach for assessing market risk.

The Capital Adequacy Framework 2007 (updated) was put in place after consultations with stakeholders, evaluation and assessments and impact studies. This framework provides guidelines for implementing the New Capital Adequacy Framework in Nepal. In line with International Convergence of Capital Measurements and Capital Standards, this framework builds three mutually reinforcing pillars – minimum capital requirements, supervisory review process, and market discipline.

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

The second pillar – supervisory review process - requires banks to assess capital and allows supervisors to evaluate a bank's assessment, and determine whether the assessment was reasonable. It is not enough for a bank or its supervisors to rely on the calculation of minimum capital under the first pillar. Supervisors need to provide an extra set of eyes to verify that the bank understands its risk profile, and is sufficiently capitalized for facing the 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 financial reporting by banks can allow market participants to better reward well-managed banks and penalize those that are poorly managed.

Accord Implementation Group (AIG) was formed for overseeing the implementation of the New Capital Adequacy Framework in Nepal. It comprises of officers from Bank and Financial Institution Regulation Department, BSD and Financial Institution Supervision Department. Realizing the importance of participation of stakeholders, representatives of commercial and development banks are also included in the AIG.

3.4.1 Internal Capital Adequacy Assessment Process (ICAAP)

The "International Convergence of Capital Measurement and Capital Standards-A Revised Framework", (popularly known as Basel II), was issued by the BCBS in June 2004. The revised framework aims for significantly more risk-sensitive capital requirements than the 1988 Basel I accord and are based on three mutually-reinforcing pillars: minimum capital requirements, supervisory review and market discipline.

Pillar 1 covers minimum capital requirements for credit, market and operational risk. Pillar 2 (Supervisory Review) comprises of Internal Capital Adequacy Assessment Process (ICAAP) followed by Supervisory Review and Evaluation Process (SREP). Pillar 3 (Market Discipline) includes disclosure requirements, or reporting. Thus, ICAAP is covered under the Pillar 2 of Basel II Accord and is followed by SREP. ICAAP is understood as bank's internal assessment of capital that it considers adequate to cover all material risks to which it is exposed. The objective of ICAAP is to ensure that a bank understands its risk profile and has systems in place to assess, quantify and monitor risk. One of the objectives is to determine the economic capital required to cover all risks faced. While regulatory capital is the capital that the regulator requires a bank to maintain, economic capital is capital that a bank needs to maintain and is, in general, estimated using internal risk models. In order to define the amount of risk as the possible loss in asset value over time or equivalently, the erosion in the value of a bank's equity (till the asset value falls below debt after which the debt holders start getting affected), then the amount of capital a bank needs to hold exactly equals the amount of risk. Therefore, the term economic capital is frequently used as a proxy for risk. Since theoretically a bank could suffer losses causing a complete erosion of its asset value, it is reasonable to look at the erosion, which would almost never happen. This forms the basis of measuring economic capital. The scope and coverage of ICAAP is much beyond Pillar 1 in the sense that it not only covers the Pillar 1 risks (credit risk, market risk & operational risk) but also encompasses all material risks. Though Pillar 1 is more costly and time-consuming to implement, Pillar 2 has more depth, and far reaching consequences for banks.

The Pillar 2 (Supervisory Review Process, SRP) requires banks to implement an internal process, called the Internal Capital Adequacy Assessment Process (ICAAP), for assessing capital adequacy in relation to their risk profile as well as a strategy for maintaining capital levels. The Pillar 2 also requires the supervisory authorities to focus all banks to an evaluation process, hereafter called Supervisory Review and Evaluation Process (SREP), and to initiate such supervisory measures, as might be necessary.

3.4.2 Prompt Corrective Action

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

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

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

Over the years, several countries have adopted a system of prudential PCA binding capital adequacy standards, and the ability to take substantial actions against banks that fail to meet the standards. The adoption of PCA in the US, UK, European Union, Hong Kong, Canada, Mexico, Korea, Indonesia, India, Bangladesh, Malaysia and

Brazil appear successful. The PCA approach to supervision believes that early steps in preventing problems in banks are always better than caring for 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 increases in salary and allowances depending on the level of shortfall in the regulatory capital adequacy ratio.

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

3.5 Bank Exit Mechanism

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

3.6 Macro-prudential Supervision

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

3.7 Financial Safety Net or Deposit Guarantee

Developing a financial safety net for banks has been an important issue for sustainable development of financial systems. NRB has the objective of promoting stability and credibility of the banking system among the general public. Strengthening regulatory and supervisory functions is important and developing a strong safety net is essential for attaining the objective. Deposit guarantee schemes for up to Rs. 200,000 have been introduced in Nepal. Besides, the establishment of Asset Management Company (AMC), strengthening the capacity of Debt Recovery Tribunal and establishment of Credit Raging Agencies are also equally important to maintain and promote a safe and sound financial system.

3.8 Stress Testing

The impact on capital needs to be detected through stress testing. This will be included in risk profile of a bank and would also need banks to maintain a shock-absorbing fund in the form of regulatory capital. A stress test is a general term covering the techniques and methodologies that banks can employ to measure their vulnerability or exposure to the impacts of exceptional, rare but potential events.

These events could be interest rate changes, exchange rate fluctuations, changes in credit rating, and those that influence liquidity etc. There are various methods for measuring the impact of the factors discussed above in the supervisory review process:

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

Out of these methods, the sensitivity test is simpler and serves a bank with a simple portfolio best. A scenario analysis is somewhat more complicated and requires more resources. Institutions with complex portfolios use this approach to assess risk factors, which they consider material – after proper calibration of scenario parameters. The time horizon of the analysis should be set in accordance with the composition of the portfolio. Banks should regularly verify that the assumed risk profile used during the stress test is in harmony with external factors. As a starting point the scope of the stress test may be limited to simple sensitivity analysis. Different risk factors that can be used for the stress test are interest rate, forced sale value of collateral, non-performing loans (NPLs), stock prices and foreign exchange rate fluctuations.

The liquidity positions of banks need to be stressed separately. Though the decision of creating different scenarios for stress testing is a difficult one, to start with, certain levels of shocks to the individual risk components need to be specified considering the historical as well as hypothetical movement in the risk factors. Stress test should be carried out assuming three different hypothetical scenarios:

- **Minor Level Shocks**: These represent small shocks to the risk factors. The level for different risk factors can, however, vary.
- **Moderate Level Shocks**: It envisages medium level of shocks and the level needs to be defined in each risk factor separately.

- **Major Level Shocks:** It involves big shocks to all the risk factors and needs to be defined separately.

Nepal Rastra Bank has issued stress-testing guidelines with different level of shock to be considered by banks for their use in connection with stress testing. Banks are allowed to use different levels of shock to be tested based on their own risk profile and bank-specific conditions.

3.9 E-banking in Nepalese Commercial Banks

Electronic banking is the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. It provides customers convenient access to banking facilities from the comfort of their home or office. Electronic banking includes 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 the standardization of banking products and lead to substantial reduction in costs. Enhancing efficiency of banking services is a major objective of electronic banking by creating opportunities for penetrating new markets, and expanding banking across borders. Electronic banking increases transparency and competition in services but also increases risks. Nepalese banks are providing the following e-banking services:

- Internet Banking
- SMS/Mobile Banking
- Card Services (Debit Cards, Credit Cards, Prepaid Cards)
- Automated Teller Machines (ATMs), and
- Branchless Banking

A brief overview of present status of electronic banking in Nepal commercial banks is discussed 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 Nepal can be grouped into communicative and transactional services.

- **Communicative Services**

  This form of Internet services offers customers a platform to communicate and interact with the bank. Services include balance inquiry, account statement, check book request, stop payment request, foreign exchange rate, etc. The risks relating to such websites depend on whether they have direct links with 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 can access.

- **Transactional Services**

  This category of Internet services allows customers to execute online transactions such as transfer of funds, payment of bills and other financial transactions. This is the highest risk category of services that requires strong control because online transactions are often irrevocable after execution. The bank’s internal systems may be exposed to external attacks if controls are inadequate. The status of internet banking in Nepal is given in Table 3.1.

Table 3.1: Internet Banking

Particulars of Internet Banking Users	Mid July 2009	Mid July 2010	Mid July 2011
Total No. of internet banking users	79,790	1,19,718	1,47,833
No. of banks offering internet banking services	19	24	28
No. of banks offering transactional services	12	19	23
No. of banks offering communicative services	7	5	5

In mid-July 2011, 28 of the 31 commercial banks were offering Internet banking services. Among them 23 banks were offering transactional services, and five using Internet only or communications. There were 1,47,833 Internet banking users of commercial banks in mid-July 2011, which is 23.48 percent higher than that in mid-July 2010. Two banks were using two-factor authentications (2FA) mechanism for verifying customers and rest used a two-level password based authentication.

Short Message Service (SMS) Banking/Mobile Banking

SMS banking is a technology-enabled service offered by banks to customers. It allows customers to carry out selected banking services over mobile phones using SMS messaging. Nepalese banks are providing services like balance inquiry, mini statement, last transactions information, withdrawal alerts, check book inquiry/request, intra-bank fund transfer, utility bill payments, etc. through SMS. Registered mobile numbers and pin code are used for customer authentication in mobile banking services.

Table 3.2: SMS Banking

Particulars of SMS Banking Users	**Mid July 2009**	**Mid July 2010**	**Mid July 2011**
Number of SMS banking users	1,11,155	2,16,987	2,67,426
No. of banks offering SMS banking services	24	21	26
No. of banks offering transactional services	1	5	12
No. of banks offering non-transactional services	23	16	14

In mid-July 2011, 26 banks were offering SMS banking services. The number of SMS banking users in mid-July 2011 was 2,67,426, a 23.25 percent increase compared to that of July 2010.

Debit Cards

A debit card is a payment instrument that provides customers with the option of making purchases at merchant locations as well as cash withdrawal from ATMs. In Nepal, all commercial banks, except ADBL provide debit card services. There were 20,70,047 debit card users in mid-July 2011. The number of debit card users increased by 37.43 percent compared to that in mid-July 2010.

Automated Teller Machines

An ATM is an electronic computerized telecommunication device that allows customers to directly use a secure method of communication to access their bank accounts, make cash withdrawals and their account balances without the need for a human bank teller. Himalayan Bank Limited introduced the first ATM in Nepal in 1995. As on mid-July 2011, 31 commercial banks had installed 499 ATMs within Kathmandu Valley and 444 ATMs in the districts. Total number of ATMs in the country increased by 27.26 percent compared to mid July 2010.

Table 3.3: Number of ATMs

Locations of ATM	**Mid July 2009**	**Mid July 2010**	**Mid July 2011**
Inside Valley	280	415	499
Outside Valley	205	326	444
Total	485	741	943

The Far-western Region has least number of ATMs whereas most of the ATMs are available in the Central Region.

Table 3.4: Distribution of ATMs across Development Regions

Development Region	**Number of ATMS**
Far-western	34
Mid-western	48
Western	148
Central	615
Eastern	98
Total	943

Credit Cards

Credit cards contain identifying information about a credit account maintained by a customer with a bank or other financial institutions. NABIL Bank Limited is the first one that introduced credit card in Nepal in the early 1990s. Very few Nepalese banks offer credit card services. In mid-July 2011, only 7 of 31 commercial banks were offering credit card facilities. They had issued 30,079 credit cards in Nepalese currency and 4,865 Credit cards in USD.

Table 3.5: Credit Cards

	Mid July 2009	Mid July 2010	Mid July 2011
Total Number of Credit Card Users	30,909	28,856	34,944
Domestic	27,301	25,560	30,079
International	3,608	3,296	4,865

Prepaid Card

Customers can obtain prepaid cards without having a bank account at the concerned bank. In mid-July 2011, six banks were offering prepaid card services and had issued 49,275 domestic prepaid cards and 4,535 international prepaid cards.

Table 3.6: Prepaid Cards

	Mid July 2009	Mid July 2010	Mid July 2011
Total Number of Prepaid Card Users	32,066	34,024	53,810
Domestic	27,728	30,115	49,275
International	4,338	3,909	4,535

Branchless Banking

Branchless banking is a distribution channel strategy used for delivering financial services without relying on bank branches. It is serviced through point of transaction (POT) machines using smart cards. In mid-July 2011, two banks were providing branchless banking services in five districts and there were 6,964 branchless banking customers using deposit and withdrawal facilities.

CHAPTER FOUR

Supervisory Activities

4.1 Annual Action Plan of Bank Supervision Department

The BSD prepares annual action plans for each year. Such plans need to be reviewed regularly to ensure that implementation is in line with the plan. The BSD reviews the plans at a regular interval. The annual action plan for the fiscal year 2010/11 and its implementation status is presented in Table 4.1.

Table 4.1: Annual Action Plan of BSD, 2010/11

S. N.	Work Plans	Implementation Status
1	On-site Inspection	Yes
1.1	**Corporate level on-site inspection of all commercial banks.**	**Yes**
1.2	**Preparation of Inspection Reports**	**Yes**
1.3	**Special inspection of banks and branches as required**	**Yes**
2	Off-site Supervision	Yes
2.1	**Preparation of quarterly consolidated off-site supervision report incorporating financial analysis, and compliance to prevailing directives and regulations, within the specified time.**	**Yes**
2.2	**Preparation of consolidated annual off-site supervision report of all commercial banks.**	**Yes**
2.3	**Annual clearance of commercial bank**	**Yes**
2.4	**Cash Reserve Ratio and Deprived Sector Lending monitoring**	**Yes**
2.5	**Capital adequacy ratios monitoring**	**Yes**
2.6	**Daily liquidity monitoring**	**Yes**
3	**Enforcement**	
3.1	**Enforcing directions given by NRB during on-site examinations or off-site supervision**	**Yes**
3.2	**Monitoring implementation status of directions given by NRB on-site examination, or off-site supervision**	**Yes**
3.3	**Preparation of quarterly enforcement reports reflecting implementation status of each bank within the specified deadline.**	**Yes**
4	Policy, planning	
4.1	**Publication of annual report of Bank Supervision Department.**	**Yes**

4.2	**Coordination of various interaction programs, seminars, workshops, and trainings.**	**Yes**
4.3	**Preparation of Annual Bank Supervision Action Plan for 2010/11**	**Yes**
4.4	**Implementation of Risk Management Guidelines**	**Yes**
4.5	**Preparation and implementation of Liquidity Monitoring Framework and Stress Testing Guidelines**	**Yes**

The BSD performed all the planned activities in the Annual Supervision Action Plan of 2010/11.

4.2 Corporate On-site Inspection Programs

The corporate on-site examinations of 29 banks (except Civil Bank Limited and Century Bank Limited which were established in the last quarter of the fiscal year) were carried out during 2010/11. The schedule of the quarterly on-site examinations in 2010/11 was as follows:

Table 4.2: Corporate On-site Examinations in 2010/11

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

Several discrepancies were identified in the course of inspections in terms of compliance with NRB directives, BAFIA-2006 and other prevailing laws and regulations. Similarly, there were shortcomings in corporate governance and risk management practices. BSD has issued both specific and general directions/instructions to banks for resolving the shortcomings observed during inspections. The overall observation is that banks have poor corporate governance and therefore there is a need for frequent on-site visits. The major shortcomings as well as non-compliance observed at the banks during on-site examinations in 2010/11 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 ➢ 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 ➢ Supervisors were not satisfied with operational risk management, Asset Liability Management, and overall risk management of the banks.
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 loan write-off policy. ➢ Non-compliance to the terms and conditions mentioned in the offer-letter. ➢ Irregular credit monitoring. ➢ Inadequate loan loss provisioning. ➢ Inadequate borrowers' information. ➢ Borrowers separated only the basis of legal separation for

	SOL purpose and credit concentration issues ➢ Issues on assessment of borrower's future cash flows for loan repayment ➢ Improper valuation of fixed assets ➢ Overdrawn overdraft limit ➢ Creation of new loan limit to repay existing loans ➢ Irregular consortium meetings ➢ Non-compliance of Company Act ➢ Issues on Loan Restructuring ➢ Non-compliance of NRB Directives on Blacklisting ➢ Discretionary power to CEO to override the provisions of Credit Policy Guidelines (CPG) ➢ Loan approved before getting credit information ➢ Lack of proper monitoring of deprived sector loan ➢ Board and management inactive in recovering problem loans ➢ Know Your Customer (KYC) directives not followed ➢ Conflict between management and bank employees ➢ Short-term loan extended again and again ➢ Non-compliance of loan classification and provisioning directives ➢ Purpose of personal large loan not identified ➢ Loan disbursed before approval ➢ Loan disbursed against local Letter of Credit (LC) ➢ Credit concentration in real estate sector ➢ Issues in multiple banking (*Paripassu* not done) ➢ Loan provided to promoter group ➢ Recovery process not initiated upon maturity of the loan ➢ Poor internal control ➢ Grading of borrowers not assigned as envisaged by Risk Management Guidelines
Management	➢ Lack of Compliance to Personnel Policy Guidelines of the bank (Issues of job description, authority delegation, transfer and promotion) ➢ Disclosure policy not formulated ➢ Strategic and business plan not formulated ➢ Issues of high staff turnover and lack of proper staff retention policy. ➢ Independence and importance of Audit Committee undermined ➢ Lack of Board oversight on ICAAP and overall risk management ➢ Inadequate MIS, IT, Disaster Recovery, information security policy, weak data access control ➢ Lack of backup link in disaster recovery site ➢ Weak outsourcing risk management ➢ Lack of comprehensive risk management guidelines ➢ Lack of successor plan ➢ Unprofessional decisions of the Board of Directors

	➢ Weak Board oversight on loans ➢ BAFIA not fully complied ➢ Operational lapses and less effort made to reducing lapses ➢ Mechanism not prepared to monitor single obligor limit and related parties ➢ Board of directors unaware of bank activities ➢ Crossholding not divested ➢ Non-compliance to Anti Money Laundering directives ➢ Bank not serious to comply with NRB directives ➢ Conflict among directors of the bank ➢ Less effective internal audit and compliance department ➢ Regular loan limit provided to own staff ➢ No procedure developed conducting Board meetings
Earning	➢ Improper classification and provisioning ➢ Issues of income recognition ➢ High employee expenses (up to 77 percent of operating income)
Liquidity	➢ No discussion of agendas and very low frequency of Asset Liability Committee (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 revival plan ➢ Liability concentration in few clients
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, have been repeated for the last few years. The comments generally happened to be in the field of corporate governance, compliance and collateral issues. With regard to the effectiveness of enforcement, most banks were complying with instructions given by the supervisor and appropriate corrections took place on time. At the same time some banks seemed more or less unable to address some issues in the inspection reports justifying more supervisory attention.

Special On-site Inspection

During 2010/11, BSD conducted 61 special on-site examinations, one each at the 28 banks, and maximum of six inspections at Sunrise Bank Limited, which related to various issues. The inspection was initiated on the basis of information provided by the off-site unit and was instrumental in resolving the main issues.

Table 4.3: Special On-site Inspection in 2010/11

S.N.	Banks	No of Inspection
1	Nepal Bank Ltd.	1
2	Rastriya Banijya Bank Ltd.	1
3	Nabil Bank Ltd.	2
4	Nepal Investment Bank Ltd.	3
5	Standard Chartered Bank Nepal Ltd.	1
6	Himalayan Bank Ltd.	2
7	Nepal Bangladesh Bank Ltd.	5
8	Nepal SBI Bank Ltd.	1
9	Everest Bank Ltd.	2
10	Bank of Kathmandu Ltd.	4
11	Nepal Credit & Commerce Bank Ltd.	3
12	Lumbini Bank Ltd.	1
13	Nepal Industrial and Commercial Bank Ltd.	1
14	Machhapuchchhre Bank Ltd.	5
15	Kumari Bank Ltd.	4
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.	2
21	Prime Commercial Bank Ltd.	3
22	Bank of Asia Nepal Ltd.	4
23	Sunrise Bank Ltd.	6
24	NMB Bank Ltd.	1
25	DCBL Bank Ltd.	2
26	Kist Bank Ltd.	1
27	Janata Bank Ltd.	1
28	Civil Bank Ltd.	1
Total Number of Inspections		**61**

4.3 Off-site Supervision

4.3.1 Cash Reserve Ratio (CRR) and Daily Liquidity Monitoring

Commercial banks are the backbone of the payment system and are the main conduits of monetary policy. As an indirect monetary instrument, NRB uses CRR to control money supply in the economy, which was 5.5 percent of total local currency deposit liabilities in the review period. Banks that fail to maintain such reserves, face monetary penalties based on the bank rate. The penalty rate escalates for repeated violations. In 2010/11, Lumbini Bank Limited was penalized once in the first quarter (Rs. 23007) for non-compliance to CRR. The offsite unit collects data from all commercial banks to monitor and review weekly average CRR positions. It aims to identify the balance of (excess or shortfall) reserves maintained in central bank.

4.3.2 Directed Lending

Nepalese commercial banks are required to disburse at least three percent of their total loan portfolio in the deprived sector as directed lending. Failure to meet this obligation results in the financial penalty, computed on the basis of the highest published lending rate of the defaulting bank. During 2010/11, Siddhartha Bank Limited was penalized (Rs. 275830.63) for not complying with the norms of directed lending.

4.3.3 Statutory Liquidity Ratio (SLR)

Banks are required to maintain SLR of 15 percent of their total domestic deposit liabilities. Failure to meet such obligation results in monetary penalties, computed on the basis of bank rate (6.5 percent). During the fiscal year 2010/11, all the banks complied with the Statutory Liquidity Ratio norm.

4.3.4 Capital Adequacy Ratio

The New Capital Adequacy Framework requires the banks to maintain minimum capital requirements. As per the framework, commercial banks need to maintain at least 6 percent Tier I capital and 10 percent Total Capital (Tier I & Tier II). The minimum capital adequacy requirements are based on risk-weighted exposures (RWE) of the banks. The capital adequacy ratios of banks are monitored each month. Table 4.4 shows the capital position of the banks in mid-July 2011.

Table 4.4 Capital Adequacy Ratio at Commercial Banks

S.N.	Bank	Rs. (in million)			Percent	
		Tier 1	Tier 1 & Tier 2	Total RWE	Tier I	Total Capital
1	Nepal Bank Ltd.	-4789.14	-4789.14	49579.10	*	
2	Rastriya Banijya Bank Ltd.	-10452.51	-10452.51	46412.44		
3	Nabil Bank Ltd.	4930.30	5734.54	48795.24	10.10	11.75
4	Nepal Investment Bank Ltd.	5817.43	7015.09	58043.31	10.02	12.09
5	Standard Chartered Bank Ltd.	4147.13	4668.33	26854.17	15.44	17.38
6	Himalayan Bank Ltd.	4303.51	5047.19	44085.18	9.76	11.45
7	Nepal Bangladesh Bank Ltd.	1727.50	1869.92	17755.96	9.73	10.53
8	Nepal SBI Bank Ltd.	2946.10	3250.62	27454.43	10.73	11.84
9	Everest Bank Ltd.	2927.17	3605.84	34583.55	8.46	10.43
10	Bank of Kathmandu Ltd.	2377.73	2662.07	22918.30	10.37	11.62
11	NCC Bank Ltd.	1572.68	1664.04	12251.36	12.84	13.58
12	NIC Bank Ltd.	2249.13	2531.62	17245.16	13.04	14.68
13	Lumbini Bank Ltd.	1790.71	1913.06	7810.07	22.93	24.49
14	Machhapuchhre Bank Ltd.	1747.97	1897.62	17477.22	10.00	10.86
15	Kumari Bank Ltd.	2236.59	2580.56	17863.89	12.52	14.45
16	Laxmi Bank Ltd.	2142.94	2567.26	19433.56	11.03	13.21
17	Siddharth Bank Ltd.	2160.60	2535.11	21583.30	10.01	11.75
18	Agriculture Dev. Bank Ltd.	11792.99	15130.98	75837.96	15.55	19.95
19	Global Bank Ltd.	1667.81	1823.04	16280.61	10.24	11.20
20	Citizens Bank Int'l Ltd.	2157.82	2282.76	14662.21	14.72	15.57
21	Prime Commercial Bank Ltd.	2780.49	2950.51	18056.33	15.40	16.34
22	Bank of Asia Nepal Ltd.	2346.10	2474.42	14210.95	16.51	17.41
23	Sunrise Bank Ltd.	2295.82	2417.84	16472.31	13.94	14.68
24	NMB Bank Ltd.	2145.67	2236.66	10533.42	20.37	21.23
25	DCBL Bank Ltd.	2324.46	2445.61	13738.15	16.92	17.80
26	Kist Bank Ltd	2264.08	2398.21	16545.90	13.68	14.49
27	Janata Bank Nepal Ltd	1480.43	1523.48	4180.82	35.41	36.44
28	Mega Bank Ltd.	1708.76	1756.93	9091.45	18.80	19.33
29	Commerz & Trust Bank Ltd.	1409.60	1434.46	4985.92	28.27	28.77
30	Civil Bank Ltd.	1201.55	1233.11	5794.95	20.73	21.28
31	Century Commercial Bank Ltd.	1123.20	1135.08	2697.69	41.64	42.08
Total		**64534.62**	**75544.30**	**713234.91**	**9.05**	**10.59**

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

4.3.5 Annual Clearance for Publication of Financial Statements

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

4.4 Enforcement Activities

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

4.5 Policy and Planning Activities

During the review period, the Policy Planning and Analysis Unit formulated an action plan for the next year. The Unit conducted a periodic review of the Annual Supervision Action Plan of 2010/11, and the report was executed in accordance with Inspection and Supervision By-laws. The Unit also functions as secretariat for the High Level Co-ordination Committee.

4.5.1 Liquidity Monitoring Framework and Stress Testing Guidelines

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

4.5.2 Trainings, Seminars, and Interaction Programs

A half-day workshop for board of directors of newly established commercial banks was organized to familiarize them with NRB regulations and good corporate governance practices. A total of 35 directors from six commercial banks attended the program.

4.5.3 Working Group for Nepal Contingency Planning Project (NCPP)

A Senior Policy Group (SPG) to be chaired by the Minister of Finance has been formed comprising the chiefs of the other regulatory bodies as members to the Group. The Nepal Contingency Planning Project (NCPP) is a technical committee, working under the SPG and is chaired by the Deputy Governor. It includes members from the Ministry of Finance, Regulation Department and both Supervision departments at NRB. The Policy Planning and Analysis Unit has been functioning as secretariat for NCPP and its working group. The committee meets to address issues that have major impacts on the financial system and are in the common jurisdiction of all the regulatory bodies.

CHAPTER FIVE

Performance of the Commercial Banks in 2010/11

5.1 Assets of the commercial banks

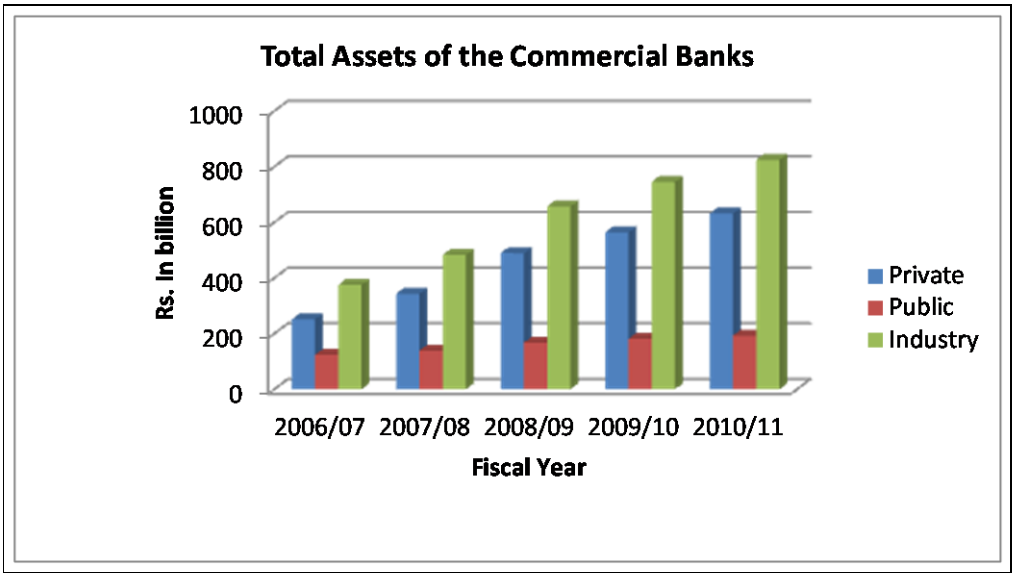
The total assets of commercial banks increased by 10.43 percent in the fiscal year 2010/11 compared to 13.35 percent growth in 2009/10. The total assets increased by 6.6 percent in public banks and by 11.66 percent in the private banks. The growth rate of the total assets of private banks was higher than that of public banks with an increasing trend over the last past five years.

Table 5.1: Total Assets of Commercial Banks (Mid-July, 2011)

(Rs. in billion)

Year	2006/07	Change %	2007/08	Change %	2008/09	Change %	2009/10	Change %	2010/11
Private	251.23	36.86	343.84	42.39	489.58	15.60	565.94	11.66	631.98
Public	123.56	12.53	139.05	20.82	168.09	7.85	181.19	6.60	193.15
Industry	374.79	28.80	482.89	36.22	657.67	13.35	747.13	10.43	825.13

Chart 5.1: Total Assets of Commercial Banks

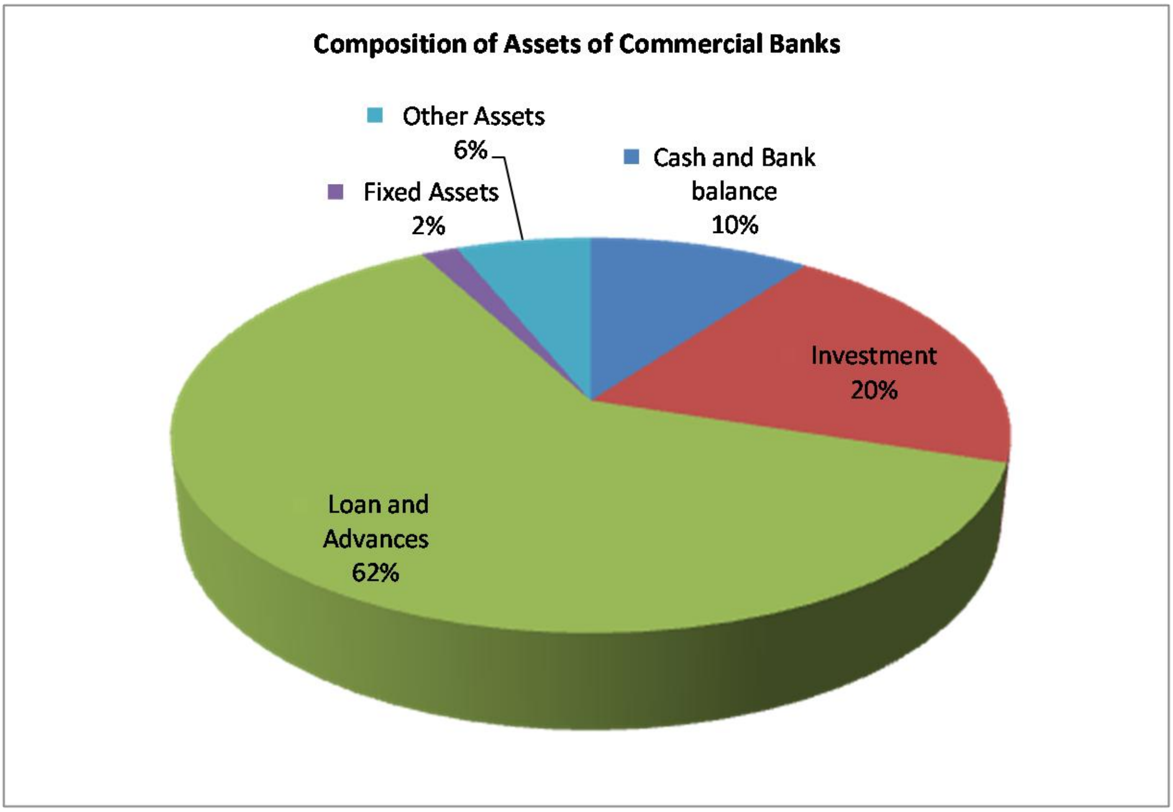


The increase in the total assets was mainly on account of the growth of the loan portfolio of banks by Rs.65.50 billion in 2010/11. Such assets had increased by 67.60 billion and by Rs.98.84 billion in 2009/10 and 2008/09, respectively. The loan portfolio of public banks grew by Rs.10.36 billion in 2010/11, while that of private sector banks increased by Rs.55.14 billion.

5.2 Composition of Assets

Commercial banks have a variety of assets with loans and advances accounting more than half of the total assets followed by other assets, cash and bank balance and investments. In mid-July 2011, the proportions of loans, investment, cash and bank balance, other assets and fixed assets in total assets 62 percent, 20 percent, 10 percent, 6 percent and 2 percent, respectively.

Chart 5.2: Composition of Assets of Commercial Banks



5.3 Composition of Liabilities

The liability and the capital side of balance sheet consisted of various sources of funds like share capital, reserves, deposits and borrowings. The largest source of fund of commercial banks in mid-July 2011 was deposit, which added up to Rs.687 billion, of which private banks held Rs. 532 billion. The second largest source, share capital, comprised Rs.60 billion for all commercial banks. As evident from the following Table 5.2, the reserves of private banks (Rs.16 billion) remained an important source of funding. However, negative reserves of two public banks i.e. NBL (Rs.4.6 billion), and RBBL (Rs.9.4 billion), have reduced the reserves of the entire banking industry.

Year-on-year comparisons indicate a positive change in the liabilities of the banking sector. Commercial banks were able to mobilize additional deposits of Rs.56.74 billion during 2010/11 – they had mobilized Rs. 66.69 billion deposits in 2009/10. Private banks raised Rs. 44.74 billion in deposits in 2010/11 and public banks raised Rs.11.89 billion.

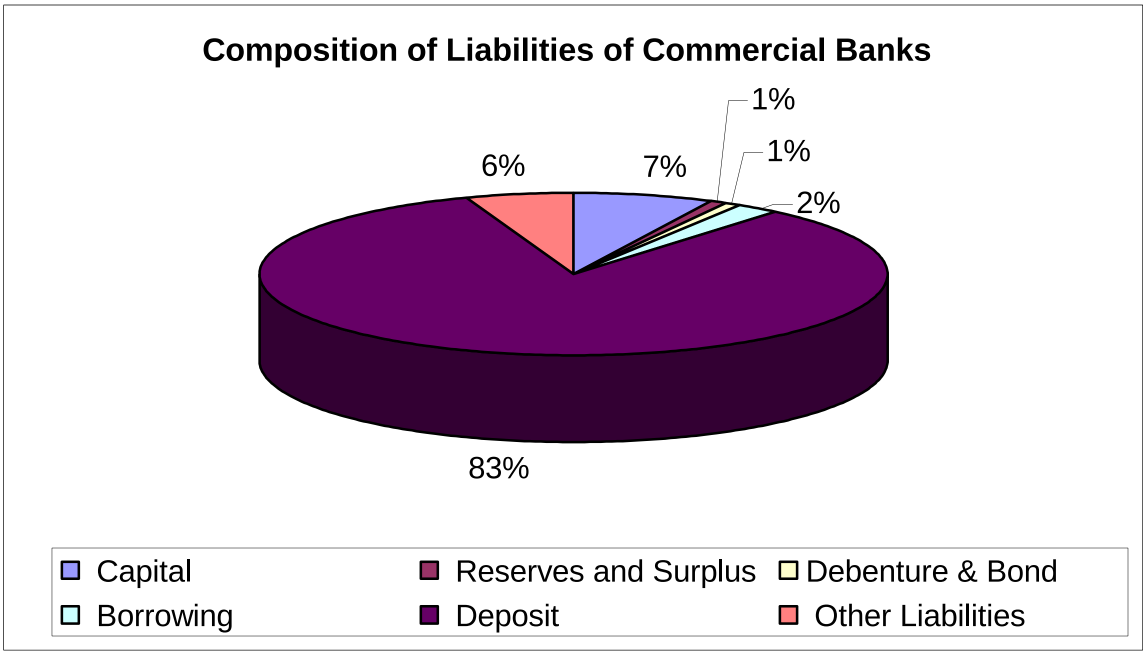
Table 5.2: Composition of Liabilities (mid July, 2011)

(Rs. in billion)

Capital and Liabilities	Public	Private	Industry
Capital	11 (5.71)	49 (7.83)	60 (7.33)
Reserves and Surplus	(10) (-5.31)	16 (2.60)	6 (0.75)
Debenture & Bond	2 (1.19)	4 (0.59)	6 (0.73)
Borrowing	7 (3.57)	12 (1.88)	19 (2.28)
Deposit	155 (80)	532 (84.24)	687 (83.32)
Other Liabilities	28 (14.52)	18 (2.86)	46 (5.59)
Total Liabilities	**193**	**632**	**825**

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

Chart 5.3: Composition of Liabilities of Commercial Banks (mid-July 2011)



The liabilities of commercial banks include deposits (83 %) while capital, borrowings and others account for 7 percent, 2 percent and 8 percent respectively.

5.4 Capital

The consolidated capital fund of the Nepalese banking industry showed a positive trend during the review year. The capital fund increased from Rs. 34.18 billion in 2008/09 to Rs. 50.53 billion in 2009/10, and Rs.66.66 billion in 2010/11. The capital of private banks also grew by 24.01 percent to Rs. 65.88 billion. The capital fund of public banks improved from negative of Rs. 2.6 billion to positive of Rs. 0.78 billion.

Table 5.3: Total Capital Fund of Commercial Banks (Rs.in billion)

Banks / Year	2006/07	Changes %	2007/08	Changes %	2008/09	Changes %	2009/10	Changes %	2010/11
Private	14.25	79.06	25.51	59.40	40.67	30.64	53.13	24.01	65.88
Public	-22.19	-27.31	-16.13	-59.77	-6.49	-59.92	-2.60	-129.97	0.78
Industries	-7.94	-218.09	9.38	264.31	34.18	47.83	50.53	31.93	66.66

Due to the inherent problems and high volume of NPAs, Nepal's public sector banks suffered massive losses in the past and that has had an adverse impact on capital adequacy. However, even though the public banks have begun improving their financial position, they are still below the acceptable standard. Two public banks, due to their size, had a relatively significant influence in the entire industry's capital.

The review of capital adequacy of individual banks, in mid-July 2011, reflected that most of banks had complied with the statutory capital adequacy ratio of 10 percent. The banks not in compliance of capital adequacy requirements were RBBL (-Rs. 8.20 billion) and NBL (-Rs. 4.22 billion).

Table 5. 4: Capital Adequacy Ratio of Commercial Banks (Mid-July 2011)

(in percent of RWE)

Capital	NBL	RBBL	Nabil	NIB	SCBNL	HBL	NSBI	NBB	EBL
Core Capital	-9.66	-22.52	10.10	10.02	15.44	9.76	10.73	9.73	8.46
Total Capital Fund	-9.66	-22.52	11.75	12.09	17.38	11.45	11.84	10.53	10.43
Capital	**BOK**	**NCC**	**LBL**	**NIC**	**MBL**	**KBL**	**LXBL**	**SBL**	**ADBL**
Core Capital	10.37	12.84	22.93	13.04	10.00	12.52	11.03	10.01	15.55
Total Capital Fund	11.62	13.58	24.49	14.68	10.86	14.45	13.21	11.75	19.95
Capital	**GBL**	**CBIL**	**PCBL**	**BOAN**	**SRBL**	**DCBL**	**NMB**	**KiBL**	**JBL**
Core Capital	10.14	14.72	15.40	16.51	13.94	20.37	16.92	13.68	35.41
Total Capital Fund	11.20	15.57	16.34	17.41	14.68	21.37	17.80	14.49	36.44
Capital	**MBNL**	**CBL**	**CTBNL**	**CCBL**					
Core Capital	18.80	20.73	28.27	41.64					
Total Capital Fund	19.33	21.28	28.77	42.08					

The capital of the Nepalese banking industry depicted a favorable trend in 2010/11. There were various reasons for the improvement. All banks were able to earn profits. Some banks were also able to distribute cash dividends and bonus shares. At the same time some banks raised funds from the market by issuing right shares.

5.5 Deposit

Total deposits of commercial banks increased by 8.98 percent to Rs. 687.57 billion in mid-July 2011 compared to a growth of 11.82 percent to Rs.630.83 billion in mid-July 2010.

Table 5.5: Deposit Mix of Commercial Banks (mid-July)

Account Types/Year	2007		2008		2009		2010		2011	
	Amt.	Change %	Amt.	Change %	Amt.	Change %	Amt.	Change %	Amt.	Change %
Current	45	20.32	56.1	24.67	71.6	27.63	80.6	12.57	78.9	-2.11
Saving	174.7	15.24	211.4	21.01	259.9	22.94	237.7	-8.54	231.1	-2.78
Term	87.2	13.84	104.8	20.18	141.2	34.73	200.1	41.71	253.6	26.74
Others	30.5	19.14	53.8	76.39	90.8	68.77	112.5	23.90	123.9	10.13
Total	**337.4**	**15.87**	**426.1**	**26.29**	**563.5**	**32.25**	**630.9**	**11.96**	**687.5**	**8.97**

The deposit of the banking industry was dominated by savings and term deposits. The share of private banks in total deposit has been on an increasing trend for the past five years. In mid-July 2011, the term deposit of the banking industry accounted for 36.89 percent of the total deposit followed by savings (33.61%), others (18.02%), and current deposits (11.47%).

5.6 Loans and Advances

Based on the gross loan of commercial banks, the loans and advances increased by 15.26 percent to Rs. 534.60 billion in 2010/11 compared to a growth of 15.42 percent in 2009/10. Loan and advances of public banks increased by 8.80 percent to Rs. 109.10 billion, and that of private banks rose by 17.03 percent to Rs. 425.50 billion.

Table 5.6: Loans and Advances of Commercial Banks (Rs. in billion)

Banks/Year	2006/07	Change %	2007/08	Change %	2008/09	Change %	2009/10	Change %	2010/11
Private	162.18	44.09	233.69	33.74	312.53	16.33	363.56	17.03	425.50
Public	72.97	9.55	79.94	11.73	89.32	12.26	100.27	8.80	109.10
Industry	235.15	33.37	313.62	28.13	401.85	15.42	463.83	15.26	534.60

Note: Data based on gross loan

5.6.1 Loans and Advances to Different Economic Sectors

Total loan and advances disbursed in various sectors of economy were compiled on the basis of returns submitted by commercial banks. In mid-July 2011, sector-wise classification of the total loan and advances of commercial banks are given as below:

Table 5.7: Loans and Advances to Different Economic Sectors

S.No.	Sector	% of total loan (mid-July)		
		2011	2010	2009
1	Agriculture Forest	2.68	3.05	3.40
2	Fishery	0.02	0.00	0.00
3	Mining	0.42	0.43	1.79
4	Manufacturing	21.20	20.14	20.93
5	Construction	9.29	10.56	10.71
6	Electricity, Gas and Water	1.32	1.59	1.65
7	Metal Products, Machineries, Electronics and Installation	1.68	1.32	1.88
8	Transport, Warehousing and Communication	5.11	5.28	4.55
9	Wholesalers and Retailers	18.51	18.67	17.48
10	Finance, Insurance and Real Estate	14.01	11.51	9.82
11	Hotel and Restaurant	2.13	2.84	4,72
12	Other Services	4.52	3.96	1.76
13	Consumable Loans	5.91	5.76	3.53
14	Local Government	0.23	0.22	0.05
15	Others	12.99	14.66	17.72
	Total Loan	**100.00**	**100.00**	**100.00**

Banks disbursed 21.2 percent of the total loans and advances to the manufacturing sector in mid-July 2011. Similarly, the next highest share of loans and advances went to the wholesale and retail sector (18.51%).

5.6.2 Security used to Secure Loans and Advances

Loans and advances disbursed by the commercial banks are backed by the various securities. Table 5.8 shows the security used to secure loans and advances. In mid-July 2011, assets (fixed or current) were used to secure most loans and advances

(84.92%). Similarly, gold and silver, classified as others, were also used to secure the loans and advances.

Table 5.8: Security used to Secure Loans and Advances

S.No	Security	% of total loan (mid-July)		
		2011	2010	2009
1	Gold and Silver	2.96	2.26	1.61
2	Government Bonds	0.53	0.62	0.74
3	Non Government Securities	1.07	1.43	1.37
4	Fixed Deposit	1.59	1.50	1.33
5	Property as Collateral	84.92	85.66	85.90
6	Security of Bills	1.26	0.98	1.80
7	Guarantee	1.79	1.84	1.87
8	Credit/Debit Card	0.07	0.08	0.08
9	Others	5.82	5.62	5.31

5.6.3 Types of Loans and Advances

NRB defines and classifies loans and advances of the commercial banks on the basis of loan products offered by commercial banks. The types of loans and advances offered in mid-July 2011 are given in Table 5.9

Table 5.9: Types of Loans and Advances

S.No	Loan Products	% of total loan		
		2011	2010	2009
1	Term Loan	14.33	14.16	15
2	Overdraft	17.31	16.27	18.10
3	Trust Receipt Loan/Import Loan	5.52	4.85	7.58
4	Demand and Other Working Capital Loan	23.39	22.36	21.64
5	Personal Residential Home Loan	5.48	7.50	7.23
6	Real Estate Loan	13.11	13.20	11.80
7	Margin Loan	1.35	2.07	2.24
8	Hire Purchase Loan	6.54	7.11	6.23
9	Deprived Sector Loan	3.44	3.65	2.96
10	Bills Purchased	0.91	0.45	0.76
11	Other Product	8.63	8.38	6.47
	Total	**100.00**	**100.00**	**100.00**

Most of the loans and advances came under the category demand and other working capital loan (23.39%). Similarly, overdraft and term loan comprised the next largest groups are 17.31 percent and 14.33 percent of the total loan and advances respectively.

5.7 Non-performing Loans

The total volume of NPL in mid-July 2011 was Rs. 17.14 billion, which was 3.25 percent of total loans and advances. The NPL increased by Rs. 4.72 billion in 2010/11 compared to a decline of Rs. 2.18 billion in 2009/10.

Table 5.10: Non-performing Loans of Commercial Banks

(Rs. in billion)

Banks/Year	2006/07	2007/08	2008/09	2009/10	2010/11
Private	8.89	7.22	4.96	4.38	8.07
Public	15.13	12.14	9.64	8.04	9.07
Industry	24.03	19.36	14.60	12.42	17.14

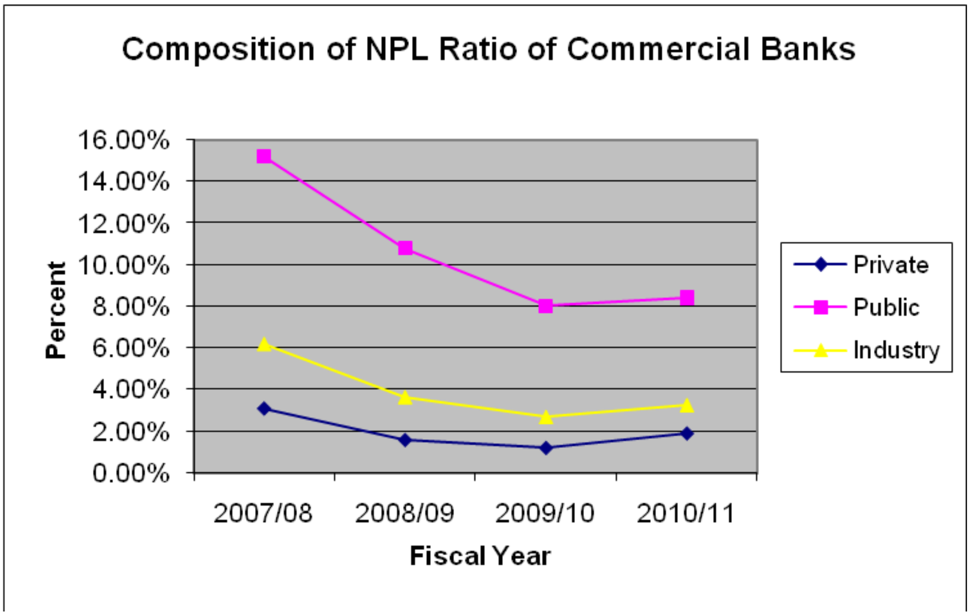
The non-performing loans of private banks amounted to Rs. 8.07 billion whereas that of public banks was Rs. 9.07 billion in 2010/11. The public banks still had the largest volume of NPLs. Among the banks, RBBL, ADBL, NBL, and Nepal Bangladesh Bank Limited contributed more than five percent of NPLs to the total. The high volume of NPLs is largely due to the portfolio of public banks. The NPL ratio of public banks was 8.31 percent in mid-July 2011 while that of private banks was 1.90 percent.

Table 5.11: NPL Ratio of Public and Private Banks (Gross Loan Based)

(Rs. in billion)

Banks/Year	2007/08		2008/09		2009/10		2010/11	
	Gross Loan	NPL %	Gross Loan	NPL %	Gross Loan	NPL %	Gross Loan	NPL %
Private	233.69	3.09	312.53	1.59	363.56	1.21	425.50	1.90
Public	79.94	15.19	89.32	10.79	100.27	8.02	109.10	8.31
Industry	313.62	6.17	401.85	3.63	463.83	2.68	534.60	3.21

Chart 5.4: NPL Ratio of Public, Private & Industry (Gross Loan Based)



The NRB directives require banks to create loan loss provisions on the gross value of all outstanding loans. Therefore, the public banks with large volumes of NPL maintained higher provisions, while that of private banks was lower.

5.8 Non-Banking Assets

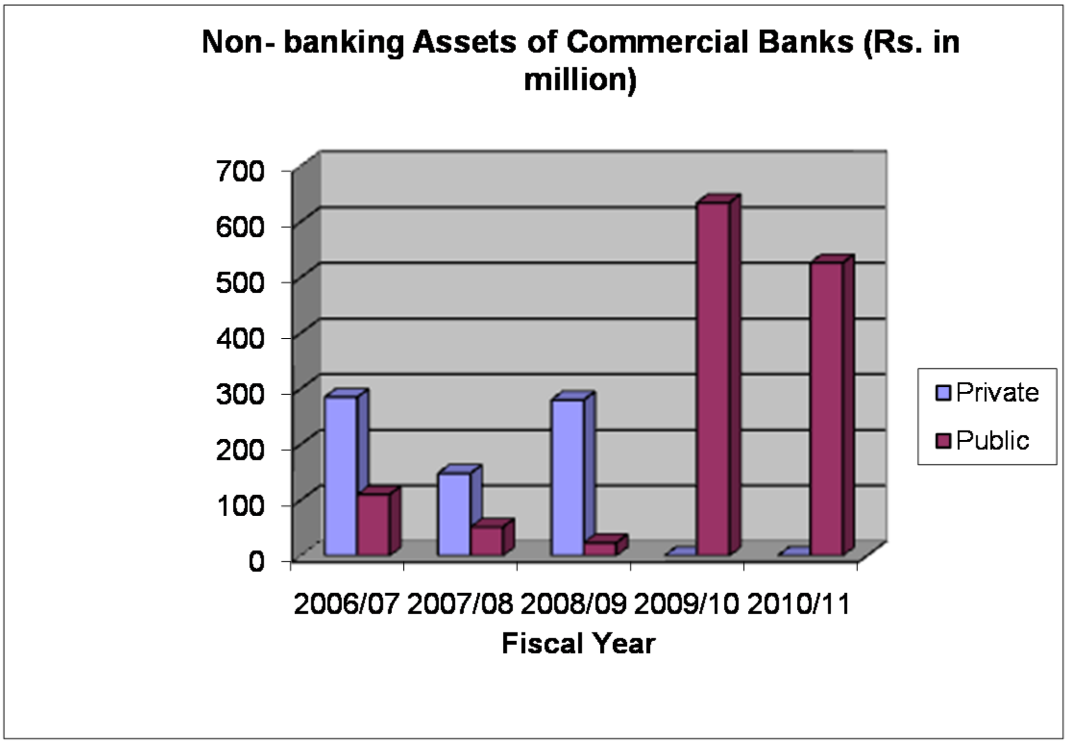
Assets taken over by banks in the course of loan recovery from defaulting borrowers are classified as non-banking assets (NBA). The total amount of NBAs decreased by 17.07 percent to Rs. 526 million, in 2010/11. The NBAs at two public sector banks, RBBL and NBL, contributed most to the increase. The level and structure of NBAs during the last five years is presented in Table 5.12

Table 5.12: Composition of NBAs of Commercial Banks

Rs. In million

Year	2006/07	2007/08	2008/09	2009/10	2010/11
Private Bank	285	148	280	0	0
Public Bank	110	51	23	634	526
Industry	395	200	303	634	526

Chart 5.5: Composition of NBAs of the Commercial Banks



5.9 Investment

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

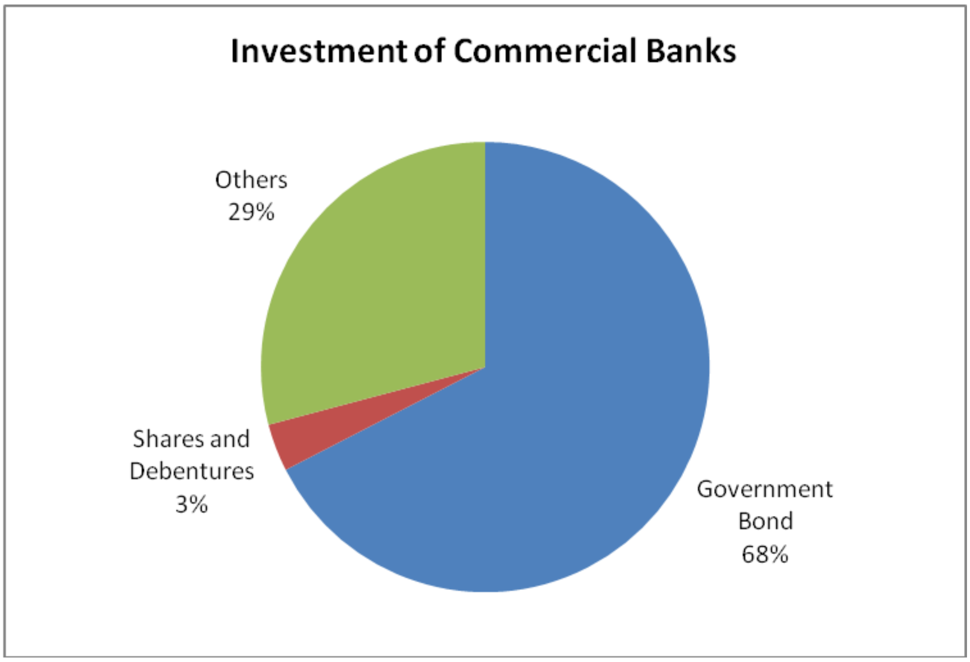
The total investment of commercial banks increased by 9.35 percent to Rs.149 billion in 2010/11 compared to a growth of 4.13 percent to Rs. 136 billion in 2009/10. The composition of investment of commercial banks shows a high concentration (68%) in government bonds while shares and debentures and 'others' account for 3 percent and 29 percent, respectively. Banks are not allowed to invest in shares and debentures of Banks and the Financial Institutions licensed by NRB. This has continuously diverted investment in 'other' areas. The investment portfolio of commercial banks in mid-July 2011 is presented in table 5.13 and chart 5.6.

Table 5.13: Investment Portfolio of Banking Industry (mid-July, 2011)

Rs. In billion

Investment Instruments			Total Amount
Government Bond	Shares and Debentures	Others	
101.94	5.18	44.05	151.17

Chart 5.6: Investment Portfolio of Banking Industry (mid-July, 2011)



The analysis of the composition of investment of public banks indicated high concentration in government bonds that was 79.28 percent of total investment. Similarly, the shares of investment in shares and debentures and in other investments were respectively 6.11 percent and 14.61 percent in public sector banks. The proportion of investment in government bond by private banks was 64.49 percent of the total, shares and debentures comprised 2.76 percent while other investments stood at 32.75.

5.10 Earnings

The total income of commercial banks increased by 28.33 percent to Rs. 82.76 billion in 2010/11 compared to a growth of 31.98 percent to Rs. 64.49 billion in 2009/10. Interest income, the significant proportion of income, contributed 89.87 percent to the total income. The remainder was income from commission, other incomes, exchange income and non-operating income.

All banks earned profits during the review year. ADBL booked the highest profit of Rs.2.38 billion – the return from loan loss provision contributed 91.51 percent of net profit.

Until 2002/03, the Nepalese banking industry was unprofitable because of the poor performance of two public banks. However, their performance improved after re-structuring, and that has boosted the profitability of the entire industry. The composition of total income of the banking industry in mid-July 2011 is given in table 5.14

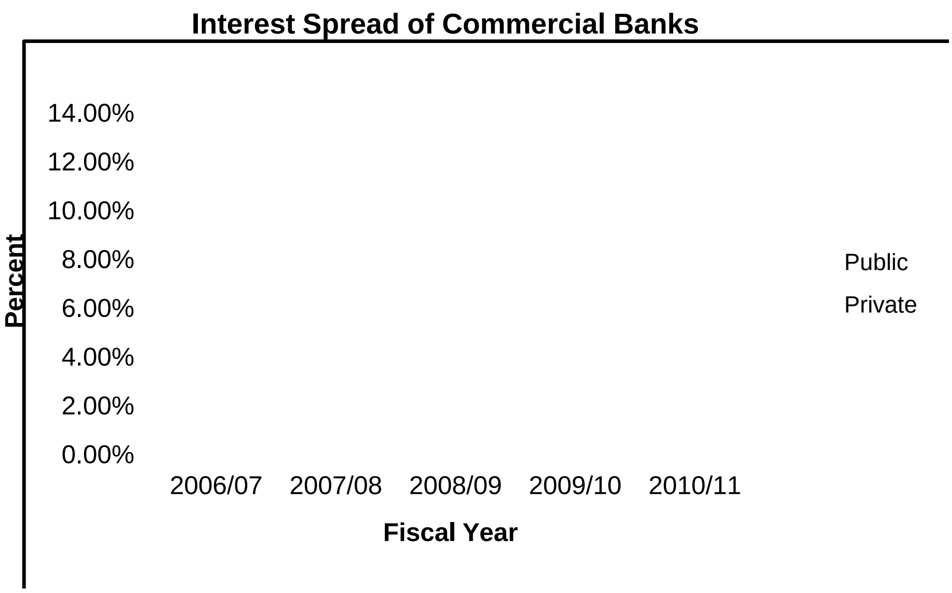
Table 5.14: Composition of Total Income

				Rs in million	
Particulars	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**
Interest Income	23648	28017	39602	56629	74378
Non operating Income	129	215	821	322	492
Exchange Income	1162	1624	2125	1985	1838
Commission Income	1887	2333	2964	3319	3486
Other	1342	1629	3350	2234	2565
Total Income	28167	33817	48862	64488	82759

The main factor contributing to profitability is the net interest income, computed as the surplus of interest income over interest expenses. In 2010/11 all banks had positive net interest incomes. All banks except ADBL have had positive operating profits, which is an effective measure of efficiency of bank operations. ADBL had a high operating loss due to high staff expenses (Rs. 2.21 billion) and loan loss provision (Rs. 2.50 billion).

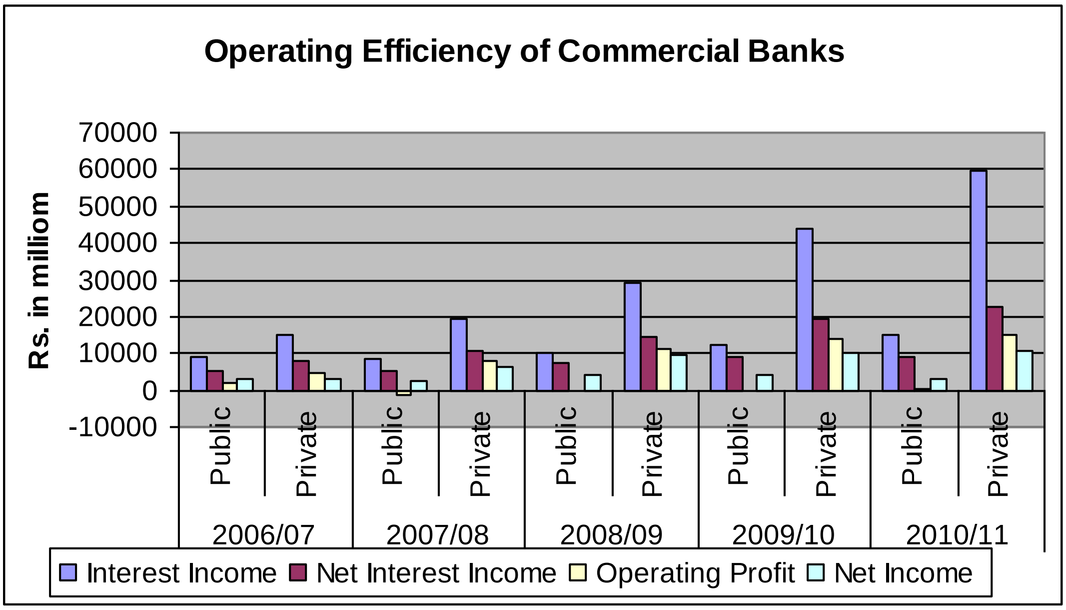
The weighted average interest spread of public sector banks declined to 7.88 percent 2010/11 from 8.85 percent in 2009/10. The weighted average interest spread of private sector banks increased to 4.38 percent from 4.28 percent in the same period. In both cases, the banks have to remain competitive to maintain or enhance profitability. The weighted average interest spread was in the range of a minimum of 2.27 percent to a maximum of 7.75 percent in 2010/11.

Chart 5.7: Interest Spread of Banks



The net profit of commercial banks increased by 2.23 percent to Rs. 15.04 billion in 2010/11 compared to a growth of 7.24 percent in 2009/10. Out of the total net profit, Rs. 10.51 billion (69.88 percent) was reported by private banks and remaining Rs. 4.53 billion (30.12 percent) by public banks.

Chart 5.8: Operating Efficiency of Banks



5.11 Liquidity

The banks need to honor the demand for payment of depositors and also fulfill other commitments. For this, banks have to maintain a certain volume of liquid assets, the size and volume of which is determined by the size of operations and past trends. The liquid assets of commercial banks (including investment in government securities) grew by 4.05 percent to Rs. 197 billion in 2010/11. The growth was slow compared to that of 2009/10 (10.77%). The proportion of liquid assets to total deposits, in mid-July 2011 was 28.61 percent, slightly lower than that in 2009/10 (29.96%) and also lower than that in 2008/09 (30.24%). The proportion of liquid assets to total assets, in mid-July 2011 was 23.83 percent – it was 25.37 percent in 2009/10 and 26.01 in 2008/09. Data for the past five years show a weakening of the liquidity position of the banking industry and could also indicate the intent of banks to earn more profits rather than hold liquid assets.

Table 5.15: Liquid Assets and Deposit of the Banks (Rs. in billion)

Components/Year	2006/07	2007/08	2008/09	2009/10	2010/11
Liquid Assets	109	129	171	189	197
Deposit	341	433	564	631	687
Liquid Assets/Deposit (%)	32.05	29.79	30.24	29.96	28.61

Table 5.16: Liquid Assets and Total Assets of the Banks (Rs. in billion)

Components/ Year	2006/07	2007/08	2008/09	2009/10	2010/11
Liquid Assets	109.35	128.92	170.62	189.07	196.66
Total Assets	374.79	482.89	655.85	745.39	825.09
Liquid assets/ total Assets (Percent)	29.18	26.70	26.01	25.37	23.83

Chart 5.9: Liquidity Position of Commercial Banks

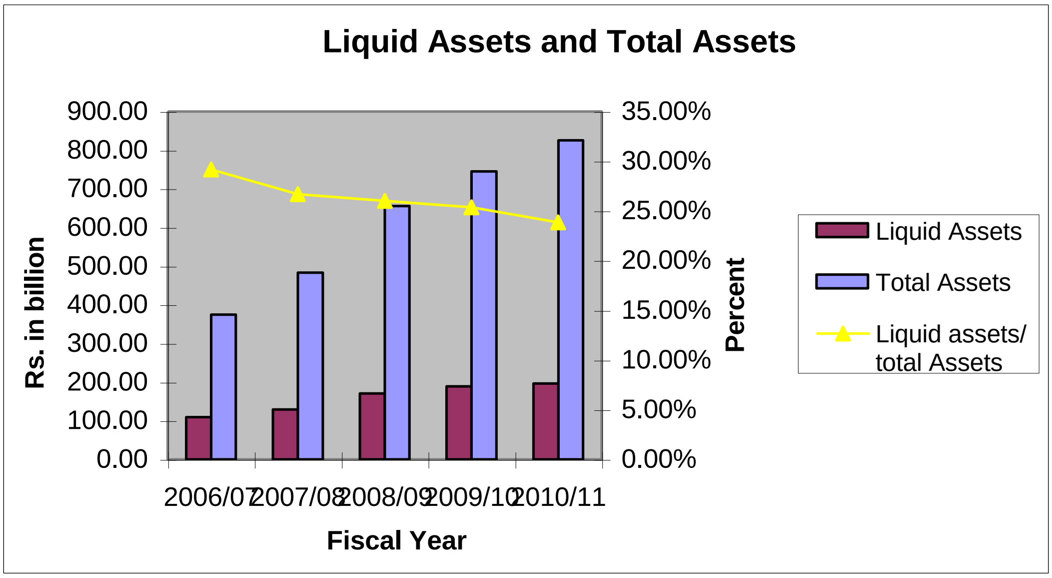


Chart 5.9 shows the deteriorating liquidity of the banking industry. Deposits increased by 11.82 percent in 2009/10 but it grew by just 8.98 percent in 2010/11. Similarly, the downward liquid assets to deposit curve shows the declining status of liquidity position in banking industry.

CHAPTER SIX

Challenges in Banking Supervision in Nepal

6.1 Background

Nepal Rastra Bank, as a promoter, regulator and supervisor of the Nepalese banking industry, has been playing an important role in the development and promotion of banking. It has kept updated with recent developments in the global financial system and has issued and implemented various policies to keep up with the rest of the world. The Nepalese banking system has grown rapidly in the past two decades in terms of institutions, the use of technology and the gradual integration with the global market. Developing a secure, healthy and efficient payment mechanism, ensuring stability in the system, promoting healthy competition, carrying out effective supervision and raising public confidence in the banking system are the major challenges of the NRB. An immediate challenge is overseeing the successful transition from a situation with a 'large number of small banks" to one with "small number of large banks".

The Nepalese banking sector expanded after the liberalization process began in the mid-1980s. Rapid growth in numbers and the types of transactions are adding to the supervisory challenges. The number of commercial banks in Nepal reached 31 in mid-July 2011 from 5 in 1990. Similarly the total assets of commercial banks increased to Rs 868.61 billion in mid-July 2011 from Rs 26.68 billion in mid-July 1990. Most of the major changes in banking practices, regulation and supervision have taken place in the past decade.

The rapid increase in number of institutions and transaction volume has brought about competitive pressures in banking sector. The banks and financial institutions tend to limit operations in urban and semi-urban areas rather than address the very low access of people to financial services in remote rural areas. The uneven geographical distribution of banks and urban concentration is one factor that has increased competition. Banking is also becoming more sophisticated with introduction of modern technology.

All of the changes taking place in the industry also add to the challenges of regulation. Domestically, Nepal faces the challenge of addressing issues related to the rapid growth of the banking sector. In this age of interconnectedness, there is therefore a need to be cautious to prevent the transmission of vulnerabilities that were observed during the recent global financial crisis.

The overall risk exposure of commercial banks is increasing by the day. Some banks had faced recurring liquidity stress but the situation has improved. Asset quality of some banks has been degrading due to their exposure in real estate and shares/margin type lending. This section outlines some of the trends observed in the Nepalese banking industry and the challenges posed to the NRB as the regulator and supervisor.

6.2 Enforcing Capital Adequacy to Ensure a Level Playing Field

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

6.3 Enhancing Good Corporate Governance

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

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

6.4 Strengthening Supervisory Capacity

The rapid growth in the number of banks, their nature, size and technological advancements have led to introduction of new financial services. Supervisory capacity needs to be strengthened to match the requirements of the fast-changing business environment. There is need to increase numbers and enhance capacity of supervisory personnel, and to equip them with necessary resources and tools for effective regulation and supervision.

Supervisory capacity is key to strengthening safety and soundness of the banking system that are vital for enhancing the public confidence in the banking system. The BSD can detect problems before they mature with well-trained and resourced supervisors. The supervisors need to have knowledge and skills (including technical skills) on banking in general and the necessary resources to carry out their functions. A key skill required by the supervisors is system audits of banks, as most transactions are now recorded electronically.

NRB has been offering opportunities to the supervisors for enhancing skills through trainings and seminars both in country and abroad. Capacity building is a continuous process and therefore needs to be adequately resourced for enabling supervisors to remain fully capable of responding to the fast changing business environment.

6.5 Ensuring Effective Coordination between Supervisors and Regulators

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

6.6 Implementation of Basel Core Principles and adoption of International Best Practices

Banking has today become a global network of complex financial relationships. The Nepalese banking system is also integrating into global financial system and this makes it necessary for banks to adopt established global principles and best practices. Nepal is in the process of implementing the Basel Core Principles, which have been adopted and adjusted in national legislation, prudential regulations, directives and guidelines. Some principles still remain to be adopted. Nepal has implemented the new capital adequacy framework based on the Simplified Standardized Approach of Basel II. Offsite supervision has developed and implemented Early Warning Signals (EWS) as a tool to monitor performance and compliance of banks. Nepal has also defined Prompt Corrective Actions (PCA) that is enforced through PCA bylaws. Similarly, Risk Management Guidelines have been designed and implemented -- they incorporate broader guidelines and set minimum standard for risk management based on the BCBS principles. Nepal still faces challenges in moving toward the Risk Based Supervision (RBS) approach, developing macro prudential supervision framework, and in terms of introducing forward-looking approaches to prevent systemic crises. Bank regulators and supervisors face challenges in acquiring new knowledge and skills and also the resources needed for adapting continuous changes in supervisory approaches.

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

With rapid growth and increased integration of Nepal's financial sector with the global industry, there are also possibilities of misuse of banking resources for unlawful purposes. There are global concerns about the misuse of banking services for terrorist financing, drug trafficking and money laundering. NRB has taken some measures to prevent the use of banking institutions for illegal activities but the legal provisions and regulatory framework remain to be upgraded. Some regulatory provisions such as Know Your Customer, Customer Due Diligence, Threshold Transaction Report and Suspicious Transaction Report are already being implemented. Nepal still faces challenges in implementing international best practices in AML regimes but is fully committed towards the implementation.

6.8 Promoting Self-regulation in Banking

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

6.9 Contingency Planning and Supervisory Strategies

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

6.10 Institutional Arrangement and Capacity Building

Bank supervision can become stronger when there is support and coordination among supporting institutions in the financial system. Strengthening Credit Information Centre and Debt Recovery Tribunal (DRT) are two such institutions. Similarly, the credit rating agency (CRA) and assets management company (AMC) can also help in validating the findings of supervision and enhance market monitoring.

6.11 Strengthening Management Information System (MIS)

The supervisory strength depends on the timely collection, analysis and interpretation of financial data. A strong management information system is required for tracking and identifying problems on time to develop early warning signs and take prompt actions. Supervisors need to develop a mechanism to monitor data related to liquidity and capital of financial institutions regularly and that is facilitated by strong MIS and monitoring systems. Acquiring timely and reliable data from bank remains a challenge.

6.12 Supervision of Systemically Important Financial Institutions

Some Nepalese banks are growing aggressively in terms of their transaction volume and asset portfolios. Some banks have grown very fast and play an important role in the financial system. Such banks have large transactions with wide networks and financial interconnectedness. The supervisory approach is the same for all commercial banks and it is necessary to become selective and impose prudential requirements on banks commensurate with their importance in the system. In this respect, there is a need for special arrangements to reduce the inherent risks associated with systemically important financial institutions. But it has been challenging to introduce regulations, develop infrastructure and supervise and monitor the Systemically Important Financial Institution (SIFI) that are considered to be "too big to fail".

6.13 Controlling Ever-greening of Loans

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

6.14 Developing and Retaining Human Resources

The rapid growth of banks has increased demands for competent human resources. However, there is no 'pipeline' of skilled human resources and this has led to high mobility of staff from the banks and issues of retaining staffs. There is need to develop human resources capable of meeting the growing demand in the financial sector while there are no institutional mechanisms for providing the capacity-building service.

6.15 Macroeconomic Environment

Nepal's economy has experiences low growth, high inflation, high consumption and low savings. The investment environment has not been conducive for various reasons including the energy crisis. Low business confidence and poor investment environment have not assisted towards improving the situation. Many sectors of the economy have reported slow growth indicating that there is low investment in the core productive sectors such as agriculture and industry. There is thus the challenge of channelizing resources towards the productive sectors to restore overall economic health and also the sustainability of the banking sector.

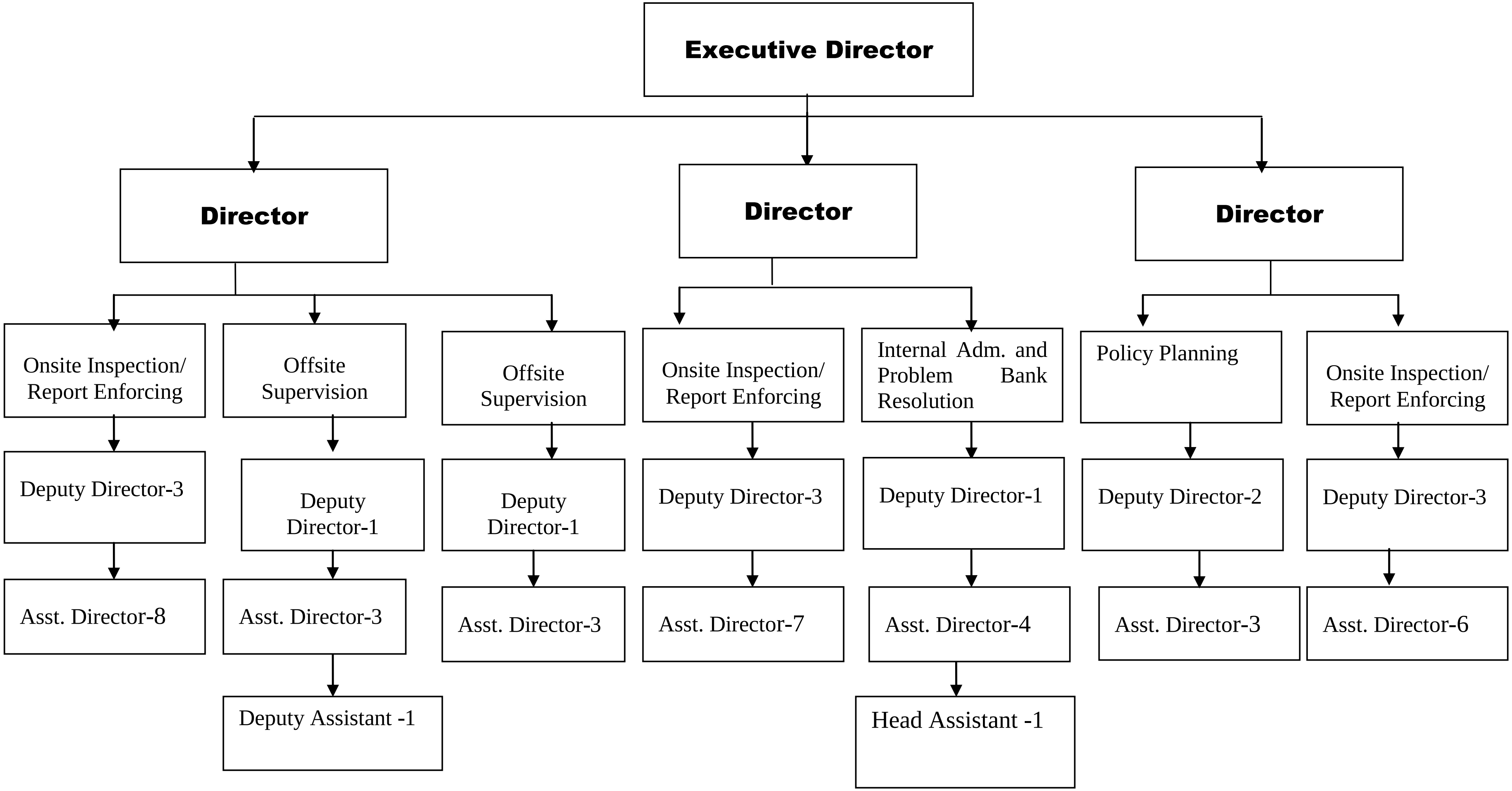
6.16 Changing Global Environment

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

Appendix 1: Training and capacity building events for BSD staff

S. No.	Program	Organizer	Participants	Duration	Country
1	The Impact of Global Financial Crisis	SEACEN	1	9 days	Sri Lanka
2	FSI-EMEAP Regional Seminar on Financial Stability on Macro Prudential Supervision	FSI/BIS	1	9 days	New Zealand
3	SEACEN Course on Crisis Preparedness in Interconnected Markets	The SEACEN Centre	1	9 days	Malaysia
4	Role of Central Bank in Federal System	RBI	1	6 days	India
5	Korea-FSV Financial Reform Conference: An Emerging market Perspective	Financial Stability Board	1	6 days	Seoul, Korea
6	5th SEACEN-OCC Course on Problem Bank Supervision	The SEACEN Centre	2	10 days	Malaysia
7	3rd SEACEN-Deutsche Bundesbank Advanced Course on Banking Supervision and Financial Stability: Financial Market Analysis and Surveillance	The SEACEN Centre	1	9 days	Taiwan
8	CeMCoA/BOJ Workshop on Financial Market Analysis and Surveillance	ADB The SEACEN Centre	1	10 days	Malaysia
9	21st FSI-SEACEN Regional Seminar on Basel III and Capital Management by Banks	The SEACEN Centre	2	8 days	Malaysia
10	FSI SEANZA forum of Banking Supervisor's Regional Seminar	SEANZA	1	7 days	Malaysia
11	Leadership Seminar on Cross Border Supervision	SEACEN	1	10 days	Singapore
12	Financial Market Analysis & Surveillance	The SEACEN Centre	1	9 days	Korea
13	Anti-money Laundering and Countering Terrorism	Govt. of Taiwan	1	9 days	Taiwan
14	FSI-EMEAP Regional Seminar on Stress Testing	FSI	1	6 days	Thailand
15	Observation/Study Visit Program to State Bank of Pakistan	State Bank of Pakistan	1	8 days	Pakistan
	Total		**17**		

Appendix 2: Organization Chart of Bank Supervision Department



Appendix 3: Useful websites for supervisors

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

Appendix 4: Excerpts of audited financial statements of commercial banks

1. Nepal Bank Limited

(Rs. 000)

Capital and Liabilities	**FY 2006-07**	**FY 2007-08**	**FY 2008-09**	**FY 2009-10**	**FY 2010-11p**
Capital	380,383	380,383	380,383	380,400	380,383
Reserves and Surplus	(6,627,898)	(6,388,684)	(5,234,694)	(5,232,200)	(4,604,661)
Debenture & Bond	-	-	-	-	
Borrowing	1,604,868	1,820,089	1,970,675	2,125,100	1,842,410
Deposit	39,014,204	41,829,391	45,194,232	42,129,900	46,804,206
Bills Payable	60,726	52,342	12,016	47,100	
Proposed & Payable dividend	2,083	2,067	2,065	2,000	
Tax Liabilities	-	-	-	130,600	
Other Liabilities	4,824,427	4,357,856	5,234,433	3,490,800	8,178,866
Total Liabilities	**39,258,793**	**42,053,444**	**47,559,110**	**43,073,700**	**52,601,204**
Cash Balance	1,086,067	1,181,792	1,515,655	1,573,700	10,837,966
Balance with NRB	5,224,859	4,430,641	6,619,700	7,350,200	
Balance with Banks	806,367	1,004,559	1,036,435	1,044,700	
Money At call	200,000	-	400,000	-	400,000
Investment	16,072,180	16,570,755	13,397,559	5,815,800	7,577,702
Loan and Advances	11,058,478	13,251,963	17,614,899	23,546,800	26,709,883
Fixed Assets	205,768	207,528	249,393	327,900	308,188
Non- Banking Assets	-	-	-	435,300	381,065
Other Assets	4,605,074	5,406,206	6,725,469	2,979,300	6,386,400
Total Assets	**39,258,793**	**42,053,444**	**47,559,110**	**43,073,700**	**52,601,204**
Interest Income	1,848,612	2,094,906	2,690,058	2,865,100	3,735,206
Interest Expenses	772,644	772,657	791,710	764,400	1,457,253
Net Interest Income	**1,075,968**	**1,322,249**	**1,898,348**	**2,100,700**	**2,277,953**
Commission and discount	181,019	229,724	273,106	220,700	241,673
Other Operating Income	287,648	157,432	156,757	-	140,239
Exchange Income	-	119,407	89,209	23,600	13,595
Total Operating Income	**1,544,635**	**1,828,812**	**2,417,420**	**2,345,000**	**2,673,460**
Employees Expenses	1,125,224	1,346,824	1,640,565	2,566,100	2,055,393
Other Operating Expenses	258,554	259,786	297,015	255,100	361,139
Exchange Loss	46,279	-	-	-	
Operating Profit Before Provision	**114,578**	**222,202**	**479,840**	**(476,200)**	**256,928**
Provisions for possible losses	80,376	258,572	334,315	55,600	36,369
Operating Profit	**34,202**	**(36,370)**	**145,525**	**(531,800)**	**220,559**
Non-Operating Income/ Expenses	50,389	67,942	57,526	-	35,735
Return From Loan Loss Provision	-	134,362	676,372	748,700	54,056
Profit From Ordinary activities	**84,591**	**165,934**	**879,423**	**216,900**	**310,350**
Extra ordinary Income /Expenses	165,057	179,996	165,144	213,900	198,578
Net Profit including all activities	**249,648**	**345,930**	**1,044,567**	**430,800**	**508,928**
Provision For Staff Bonus	22,695	31,448	94,960	-	46,266
Provision For Income Tax	-	75,268	55,353	2,200	79,225
-This Year	-	-	-	-	
-Up to Last Year	-	-	-	-	
Net Profit / Loss	**226,953**	**239,214**	**894,254**	**428,600**	**383,437**
Financial Indicators					
Core Capital to Risk Weighted Assets	-37.97%	-33.05%	-13.94%	-11.74%	-9.66%
Capital Fund to Risk Weighted Assets	-38.83%	-35.46%	-13.94%	-11.74%	-9.66%
Non-Performing Loan to Total Loan	13.49%	12.38%	4.94%	4.98%	5.28%
Weighted Average Interest Spread	4.51%	4.82%	6.45%	6.14%	7.75%
Net Interest Income (Rs. in thousand)	1,075,968	1,322,249	1,898,348	2,100,700	2,277,953
Return on Assets	0.58%	0.57%	1.88%	1.00%	0.74%
Credit to Deposit	35.26%	37.69%	43.28%	59.52%	57.07%
Liquid Assets to Total Assets	47.56%	42.94%	42.41%	32.92%	`
Liquid Assets to Total Deposit	47.86%	43.17%	44.63%	33.66%	35.94%

2. Rastriya Banijya Bank

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11p
Capital	1,172,300	1,172,300	1,172,300	1,172,300	1172300
Reserves and Surplus	(18,391,801)	(16,632,278)	(13,133,193)	(9,789,377)	(9,377,570)
Debenture & Bond	-	-	-	-	
Borrowing	2,219,603	2,517,009	3,873,598	4,039,791	4812803
Deposit	50,464,128	64,340,951	68,160,927	68,623,160	73924079
Bills Payable	63,707	68,180	68,605	31,360	
Proposed & Payable dividend	47,220	55,090	62,960	86,687	
Tax Liabilities	-	--	-	29,186	
Other Liabilities	10,564,489	1,783,670	8,509,150	19,904,757	10691581
Total Liabilities	**46,139,646**	**53,304,922**	**68,714,347**	**84,097,864**	**81,223,193**
Cash Balance	1,897,762	8,640,723	2,014,077	1,674,650	
Balance with NRB	3,708,616	3708616	8,412,752		6907305
Balance with Banks	197,157	197157	1,344,468		
Money At call	20,000	550,000	-	-	83250
Investment	12,650,196	14,443,378	15,416,020	12,989,463	15333163
Loan and Advances	17,328,731	21,202,987	26,187,931	30,254,069	36866104
Fixed Assets	439,505	465,553	452,209	890,805	946815
Non- Banking Assets	110,137	51,453	23,317	199,077	145013
Other Assets	9,787,542	7,950,828	14,863,573	28,177,001	20941543
Total Assets	**46,139,646**	**53,304,922**	**68,714,347**	**84,097,864**	**81223193**
Interest Income	2,356,940	2,708,764	3,444,188	4,207,610	5027872
Interest Expenses	942,751	1,025,586	1,067,779	1,386,980	2424251
Net Interest Income	**1,414,189**	**1,683,178**	**2,376,409**	**2,820,630**	2603621
Commission and discount	343,561	430,618	577,560	608,261	435001
Other Operating Income	123,249	157,070	195,561	177,270	188903
Exchange Income	-	-	32,098	53,215	(28,028)
Total Operating Income	**1,880,999**	**2,270,866**	**3,181,628**	**3,659,376**	**3199497**
Employees Expenses	789,042	875,656	1,389,012	1,629,244	1432706
Other Operating Expenses	357,753	329,090	393,316	417,546	510873
Exchange Loss	12,933	30,484	-	13,067	
Operating Profit Before Provision	**721,271**	**1,035,636**	**1,399,300**	**1,599,519**	**1255918**
Provisions for possible losses	386,922	425,542	481,042	286,546	419482
Operating Profit	**334,349**	**610,094**	**918,258**	**1,312,973**	**836436**
Non-Operating Income/ Expenses	31,334	13,872	60,887	97,738	96200
Return From Loan Loss Provision	1,224,604	1,134,290	1,331,959	1,201,493	760297
Profit From Ordinary activities	**1,590,287**	**1,758,256**	**2,311,104**	**2,612,204**	**1692933**
Extra ordinary Income /Expenses	155,976	152,018	138,356	(2,219)	207062
Net Profit including all activities	**1,746,263**	**1,910,274**	**2,449,460**	**2,609,985**	**1899995**
Provision For Staff Bonus	129,353	141,502	181,441	193,332	140740
Provision For Income Tax	-	-	344,337	405,966	
-This Year	-	-	-	-	
-Up to Last Year	-	-	-	-	
Net Profit / Loss	**1,616,910**	**1,768,772**	**1,923,682**	**2,010,687**	**1759255**
Financial Indicators					
Core Capital to Risk Weighted Assets	-44.40%	-38.17%	-38.37%	-24.08%	-22.52%
Capital Fund to Risk Weighted Assets	-43.53%	-37.19%	-38.37%	-24.08%	-22.52%
Non-Performing Loan to Total Loan	28.63%	21.43%	15.64%	9.78%	10.92%
Weighted Average Interest Spread	4.55%	4.91%	5.57%	6.19%	
Net Interest Income (Rs. in thousand)	1,414,189	1,683,178	2,376,409	2,820,630	2603621
Return on Assets	3.14%	2.99%	2.84%	2.39%	2.66%
Credit to Deposit	49%	47.26%	46.37%	51.90%	49.87%
Liquid Assets to Total Assets	34.35%	36.71%	31.73%	34.74%	23.83%
Liquid Assets to Total Deposit	31.00%	30.41%	31.13%	42.57%	26.18%

3. Nabil Bank Limited (Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	491,654	689,216	965,747	2,028,773	2,029,769
Reserves and Surplus	1,565,395	1,747,983	2,164,494	1,805,452	2,571,204
Debenture & Bond	-	240,000	300,000	300,000	300,000
Borrowing	882,573	1,360,000	1,681,305	74,900	1,650,599
Deposit	23,342,285	31,915,047	37,348,256	46,340,701	49,608,376
Bills Payable	83,515	238,422	463,139	425,444	415,768
Proposed & Payable dividend	509,418	437,373	361,325	434,737	608,931
Tax Liabilities	-	38,777	80,232	24,904	46,529
Other Liabilities	378,553	465,941	502,900	644,814	868,443
Total Liabilities	**27,253,393**	**37,132,759**	**43,867,398**	**52,079,725**	**58,099,619**
Cash Balance	270,407	511,426	674,395	635,987	744,592
Balance With NRB	1,113,415	1,829,471	2,648,596	549,454	1,473,986
Bank Balance with Banks	16,003	330,244	49,521	214,656	239,971
Money At call	563,533	1,952,361	552,888	3,118,144	2,452,512
Investment	8,945,311	9,939,771	10,826,379	13,600,917	13,003,205
Loan and Advances	15,545,779	21,365,053	27,589,933	32,268,873	38,034,097
Fixed Assets	286,895	598,039	660,989	781,480	941,258
Non- Banking Assets	-	-	-	-	0
Other Assets	512,050	606,394	864,696	910,214	1,209,998
Total Assets	**27,253,393**	**37,132,759**	**43,867,398**	**52,079,725**	**58,099,619**
Interest Income	1,587,759	1,978,696	2,798,486	4,047,725	5,258,269
Interest Expenses	555,710	758,436	1,153,280	1,960,108	2,946,691
Net Interest Income	**1,032,049**	**1,220,260**	**1,645,206**	**2,087,617**	**2,311,578**
Commission and discount	150,608	156,234	179,693	215,482	290,855
Other Operating Income	87,574	97,444	144,164	169,548	183,445
Exchange Income	209,926	196,487	251,920	291,441	276,103
Total Operating Income	**1,480,157**	**1,670,425**	**2,220,983**	**2,764,088**	**3,061,981**
Employees Expenses	240,161	262,907	339,898	367,162	455,616
Other Operating Expenses	188,183	220,750	265,158	334,669	403,992
Exchange Loss	-	-	-	-	0
Operating Profit Before Provision	**1,051,813**	**1,186,768**	**1,615,927**	**2,062,257**	**2,202,373**
Provisions for possible losses	14,206	64,055	45,722	355,829	109,470
Operating Profit	**1,037,607**	**1,122,713**	**1,570,205**	**1,706,428**	**2,092,903**
Non-Operating Income/ Expenses	5,281	24,084	2,190	6,455	6,981
Return From Loan Loss Provision	10,926	11,101	10,618	39,791	7,101
Profit From Ordinary activities	**1,053,814**	**1,157,898**	**1,583,013**	**1,752,674**	**2,106,985**
Extra ordinary Income /Expenses	40,736	39,991	43,522	34,322	3,148
Net Profit including all activities	**1,094,550**	**1,197,889**	**1,626,534**	**1,786,996**	**2,110,133**
Provision For Staff Bonus	99,504	108,899	147,867	162,518	192,008
Provision For Income Tax	321,087	342,522	447,615	485,907	573,946
-This Year	-	-	-	-	
-Up to Last Year	-	-	-	-	
Net Profit / Loss	**673,959**	**746,468**	**1,031,053**	**1,138,571**	**1,344,179**
Financial Indicators					
Core Capital to Risk Weighted Assets	10.40%	8.75%	8.74%	8.77%	8.83%
Capital Fund to Risk Weighted Assets	12.04%	11.10%	10.70%	10.50%	10.58%
Non-Performing Loan to Total Loan	1.12%	0.74%	0.80%	1.47%	1.77%
Weighted Average Interest Spread	4.15%	3.94%	4.16%	4.40%	4.37%
Net Interest Income (Rs. in thousand)	1,032,049	1,220,260	1,645,206	2,087,617	2,311,578
Return on Assets	2.72%	2.32%	2.55%	2.37%	2.43%
Credit to Deposit	68.13%	68.18%	73.87%	69.37%	78.29%
Liquid Assets to Total Assets	24.85%	25.07%	17.40%	23.92%	23.50%
Liquid Assets to Total Deposit	29.01%	29.17%	20.43%	26.89%	27.53%

4. Nepal Investment Bank Limited (Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	801,353	1,203,915	2,407,069	2,409,098	3011372
Reserves and Surplus	1,076,771	1,482,871	1,500,771	2,176,295	2148388
Debenture & Bond	800,000	1,050,000	1,050,000	1,050,000	1050000
Borrowing	-	-	38,800	37,315	280764
Deposit	24,488,856	34,451,726	46,698,100	50,094,725	50138122
Bills Payable	32,401	78,839	82,338	38,144	8250
Proposed & Payable dividend	43,650	93,468	485,454	602,274	602274
Tax Liabilities	295	24,083	38,297	37,195	
Other Liabilities	347,519	488,404	709,975	860,367	1117657
Total Liabilities	**27,590,845**	**38,873,306**	**53,010,803**	**57,305,413**	**58356828**
Cash Balance	763,984	1,464,483	1,833,462	1,525,442	1718666
Balance With NRB	1,381,352	1,820,006	4,411,133	3,237,217	4009460
Bank Balance with Banks	296,178	470,453	1,673,408	2,053,231	2412245
Money At call	362,970	-	-	-	150000
Investment	6,505,680	6,874,024	7,399,812	8,635,530	7423107
Loan and Advances	17,286,428	26,996,652	36,241,207	40,318,308	41095515
Fixed Assets	759,456	970,092	1,060,752	1,136,247	1108448
Non- Banking Assets	1,125	750	375	-	
Other Assets	233,672	276,846	390,653	399,438	439388
Total Assets	**27,590,845**	**38,873,306**	**53,010,803**	**57,305,413**	**58356828**
Interest Income	1,584,987	2,194,275	3,267,941	4,653,521	5803440
Interest Expenses	685,530	992,158	1,686,973	2,553,847	3620337
Net Interest Income	**899,457**	**1,202,117**	**1,580,968**	**2,099,674**	**2183103**
Commission and discount	163,899	215,292	262,792	242,886	269429
Other Operating Income	47,319	66,377	87,575	168,312	152985
Exchange Income	135,355	165,839	185,327	224,056	228076
Total Operating Income	**1,246,030**	**1,649,625**	**2,116,662**	**2,734,928**	**2833594**
Employees Expenses	145,371	187,150	225,721	279,851	326543
Other Operating Expenses	243,430	313,154	413,884	433,596	456057
Exchange Loss	-	-	-	-	
Operating Profit Before Provision	**857,229**	**1,149,321**	**1,477,056**	**2,021,481**	**2050994**
Provisions for possible losses	129,719	135,989	166,201	93,056	267331.5
Operating Profit	**727,510**	**1,013,332**	**1,310,855**	**1,928,425**	**1783662**
Non-Operating Income/ Expenses	1,426	7,048	2,953	10,606	8396
Return From Loan Loss Provision	66,777	101,577	114,653	50,000	106634
Profit From Ordinary activities	**795,713**	**1,121,957**	**1,428,461**	**1,989,031**	**1898693**
Extra ordinary Income /Expenses	-	-	-	-	-52861
Net Profit including all activities	**795,713**	**1,121,957**	**1,428,461**	**1,989,031**	**1845832**
Provision For Staff Bonus	72,337	101,996	129,860	180,821	167803
Provision For Income Tax	221,977	323,229	397,982	542,261	
-This Year	-	-	-	-	500360
-Up to Last Year	-	-	-	-	
Deferred Tax					1028
Net Profit / Loss	**501,399**	**696,732**	**900,619**	**1,265,949**	**1176641**
Financial Indicators					
Core Capital to Risk Weighted Assets	7.90%	7.71%	8.56%	8.50%	8.77%
Capital Fund to Risk Weighted Assets	12.17%	11.28%	11.24%	10.55%	10.91%
Non-Performing Loan to Total Loan	2.37%	1.12%	0.58%	0.62%	0.94%
Weighted Average Interest Spread	3.99%	4.00%	3.94%	4.36%	4.06%
Net Interest Income (Rs. in thousand)	899,457	1,202,117	1,580,968	2,099,674	2183103
Return on Assets	1.79%	1.77%	1.68%	2.19%	2.02%
Credit to Deposit Ratio	72.56%	79.91%	78.86%	81.74%	83.54%
Liquid Assets to Total Assets	21.97%	17.78%	19.71%	19.23%	21.57%
Liquid Assets to Total Deposit	24.70%	20.06%	22.38%	21.99%	25.10%

5. Standard Chartered Bank Nepal Limited

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	413,255	620,784	931,966	1,608,256	1,610,168
Reserves and Surplus	1,703,098	1,871,764	2,120,503	1,761,453	2,067,609
Debenture & Bond	-	-	-	-	
Borrowing	400,000	-	300,000	-	350,000
Deposit	24,647,021	29,743,999	35,871,721	35,182,721	37,999,242
Bills Payable	36,168	87,397	72,942	89,220	65,966
Proposed & Payable dividend	341,744	506,367	476,296	769,166	805,084
Tax Liabilities	5,599	2,051	4,263	-	
Other Liabilities	1,049,804	503,426	809,777	802,503	912,450
Total Liabilities	**28,596,689**	**33,335,788**	**40,587,468**	**40,213,319**	**43,810,519**
Cash Balance	378,423	414,876	463,346	509,031	610,691
Balance With NRB	1,613,758	1,266,273	1,851,133	819,509	1,638,277
Bank Balance with Banks	28,841	369,094	822,685	600,766	726,828
Money At call	1,761,151	2,197,538	2,055,549	1,669,460	4,280,888
Investment	13,553,233	13,902,819	20,236,121	19,847,511	17,258,682
Loan and advances	10,502,637	13,718,597	13,679,757	15,956,955	18,427,270
Fixed Assets	125,591	117,272	137,293	118,540	106,071
Non- Banking Assets	-	-	-	-	
Other Assets	633,055	1,349,319	1,341,585	691,547	761,812
Total Assets	**28,596,689**	**33,335,788**	**40,587,468**	**40,213,319**	**43,810,519**
Interest Income	1,411,982	1,591,195	1,887,221	2,042,109	2,718,699
Interest Expenses	413,055	471,730	543,787	575,740	1,003,100
Net Interest Income	**998,927**	**1,119,465**	**1,343,435**	**1,466,369**	**1,715,599**
Commission and discount	221,207	276,432	235,469	338,298	321,771
Other Operating Income	28,785	32,594	33,191	34,479	36,753
Exchange Income	309,086	345,653	480,031	458,564	387,134
Total Operating Income	**1,558,005**	**1,774,144**	**2,092,126**	**2,297,710**	**2,461,257**
Employees Expenses	199,778	225,256	253,056	312,964	365,986
Other Operating Expenses	228,451	230,571	276,327	295,305	305,215
Exchange Loss	-	-	-	-	
Operating Profit Before Provision	**1,129,776**	**1,318,317**	**1,562,743**	**1,689,441**	**1,790,056**
Provisions for possible losses	36,809	69,885	56,635	76,974	82,739
Operating Profit	**1,092,967**	**1,248,432**	**1,506,109**	**1,612,467**	**1,707,317**
Non-Operating Income/ Expenses	9,492	1,682	22,098	36,268	6,445
Return From Loan Loss Provision	20,160	90,635	101,075	58,293	67,159
Profit From Ordinary activities	**1,122,619**	**1,340,749**	**1,629,282**	**1,707,028**	**1,780,921**
Extra ordinary Income /Expenses	(4,915)	(28,039)	(15,356)	(17,024)	(22,764)
Net Profit including all activities	**1,117,704**	**1,312,710**	**1,613,926**	**1,690,004**	**1,758,157**
Provision For Staff Bonus	101,609	119,337	146,721	153,637	159,832
Provision For Income Tax	324,427	374,452	442,091	450,496	479,153
-This Year	-	-	-	-	485,713
-Up to Last Year	-	-	-	-	
Deferred Tax					(6,560)
Net Profit / Loss	**691,668**	**818,921**	**1,025,115**	**1,085,871**	**1,119,172**
Financial Indicators					
Core Capital to Risk Weighted Assets	13.77%	12.15%	13.05%	12.61%	12.10%
Capital Fund to Risk Weighted Assets	15.71%	0.14%	14.70%	14.60%	14.22%
Non-Performing Loan to Total Loan	1.83%	0.92%	0.66%	0.61%	0.62%
Weighted Average Interest Spread	3.95%	4.01%	3.98%	3.44%	3.28%
Net Interest Income (Rs. in thousand)	998,927	1,119,465	1,343,435	1,466,369	1,715,599
Return on Assets	2.42%	2.46%	2.53%	2.70%	2.55%
Credit to Deposit	43.78%	46.95%	38.70%	45.98%	49.11%
Liquid Assets to Total Assets	42.65%	40.25%	37.43%	30.16%	39.29%
Liquid Assets to Total Deposit	36.76%	35.91%	42.35%	34.48%	45.30%

6. Himalayan Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	810,810	1,013,512	1,216,215	2,000,000	2,400,000
Reserves and Surplus	1,335,690	1,499,479	1,903,666	1,439,205	1,595,478
Debenture & Bond	360,000	860,000	500,000	500,000	500,000
Borrowing	235,968	83,178	-	-	10,000
Deposit	30,048,418	31,842,789	34,681,345	37,611,202	40,920,627
Bills Payable	91,303	102,670	113,509	216,159	31,655
Proposed & Payable dividend	130,940	263,076	162,097	189,473	336,842
Tax Liabilities	11,913	19,131	10,163	-	0
Other Liabilities	494,099	491,696	733,327	761,085	941,601
Total Liabilities	**33,519,141**	**36,175,531**	**39,320,322**	**42,717,124**	**46,736,203**
Cash Balance	177,242	278,183	473,760	514,223	632,046
Balance With NRB	1,272,543	935,842	2,328,406	2,604,791	1,390,626
Bank Balance with Banks	307,556	234,118	246,361	747,476	941,979
Money At call	1,710,024	518,529	1,170,794	308,840	734,000
Investment	11,822,985	13,340,177	8,710,691	8,444,910	8,769,938
Loan and Advances	16,997,997	19,497,520	24,793,155	27,980,629	31,566,977
Fixed Assets	574,060	726,068	952,196	1,061,871	1,187,493
Non- Banking Assets	12,766	10,307	22,695	-	0
Other Assets	643,968	634,787	622,265	1,054,384	1,513,144
Total Assets	**33,519,141**	**36,175,531**	**39,320,322**	**42,717,124**	**46,736,203**
Interest Income	1,775,582	1,963,647	2,342,198	3,148,605	4,326,140
Interest Expenses	767,411	823,745	934,778	1,553,530	2,414,807
Net Interest Income	**1,008,171**	**1,139,902**	**1,407,420**	**1,595,075**	**1,911,333**
Commission and discount	193,224	202,888	284,302	270,258	350,365
Other Operating Income	40,329	62,104	46,343	112,346	129,517
Exchange Income	151,637	192,601	249,983	180,278	195,528
Total Operating Income	**1,393,361**	**1,597,495**	**1,988,048**	**2,157,957**	**2,586,743**
Employees Expenses	272,225	307,528	360,981	414,984	517,591
Other Operating Expenses	341,561	329,006	398,317	471,102	582,210
Exchange Loss	-	-	-	-	0
Operating Profit Before Provision	**779,575**	**960,961**	**1,228,751**	**1,271,871**	**1,486,942**
Provisions for possible losses	90,689	58,431	68,806	692,640	471,729
Operating Profit	**688,886**	**902,530**	**1,159,945**	**579,231**	**1,015,213**
Non-Operating Income/ Expenses	3,493	9,700	3,810	12,382	15,856
Return From Loan Loss Provision	412,654	184,107	19,485	265,542	228,146
Profit From Ordinary activities	**1,105,033**	**1,096,337**	**1,183,240**	**857,155**	**1,259,215**
Extra ordinary Income /Expenses	(315,890)	(52,614)	(9,973)	(25,855)	102,292
Net Profit including all activities	**789,143**	**1,043,723**	**1,173,267**	**831,300**	**1,361,507**
Provision For Staff Bonus	71,740	94,884	106,661	75,573	123,773
Provision For Income Tax	225,580	312,970	313,771	246,929	344,619
-This Year	-	-	-	-	
-Up to Last Year	-	-	-	-	
Net Profit / Loss	**491,823**	**635,869**	**752,835**	**508,798**	**893,115**
Financial Indicators					
Core Capital to Risk Weighted Assets	9.61%	9.64%	8.81%	8.68%	8.88%
Capital Fund to Risk Weighted Assets	11.13%	13.00%	11.02%	10.72%	10.68%
Non-Performing Loan to Total Loan	3.61%	2.36%	2.16%	3.52%	4.22%
Weighted Average Interest Spread	3.57%	3.66%	3.66%	4.21%	3.96%
Net Interest Income (Rs. in thousand)	1,008,171	1,139,902	1,407,420	1,595,075	1,911,333
Return on Assets	1.47%	1.76%	1.91%	1.19%	1.91%
Credit to Deposit	56.57%	61.23%	71.49%	74.39%	80.57%
Liquid Assets to Total Assets	29.60%	26.09%	21.44%	20.23%	21.62%
Liquid Assets to Total Deposit	33.02%	29.64%	24.31%	22.97%	24.70%

7. Nepal Bangladesh Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	719,852	744,126	1,860,315	1,860,315	2,009,396
Reserves and Surplus	(3,344,015)	(2,935,574)	(748,073)	273,257	251,769
Debenture & Bond	-	-	-	-	
Borrowing	230,000	30,000	-	-	
Deposit	9,461,535	10,883,652	9,997,697	10,052,182	11,511,677
Bills Payable	39,410	30,012	12,629	15,401	
Proposed & Payable dividend	1,299	1,301	1,398	-	
Tax Liabilities	30,332	-	6,729	-	
Other Liabilities	116,135	637,509	833,857	329,886	2,159,167
Total Liabilities	**7,254,548**	**9,391,026**	**11,964,552**	**12,531,041**	**15,932,009**
Cash Balance	391,686	612,025	459,402	422,008	2,474,696
Balance With NRB	614,432	1,005,830	1,869,815	1,423,257	
Bank Balance with Banks	157,935	304,993	242,200	213,033	
Money At call	50,000	1,000	1,000	-	
Investment	1,034,560	1,389,901	2,222,432	2,112,751	2,472,659
Loan and Advances	4,409,013	5,457,809	6,704,943	7,809,544	10,237,456
Fixed Assets	140,807	147,747	139,198	155,327	307,504
Non- Banking Assets	111,925	37,087	-	-	
Other Assets	344,190	434,634	325,562	395,121	439,694
Total Assets	**7,254,548**	**9,391,026**	**11,964,552**	**12,531,041**	**15,932,009**
Interest Income	982,197	828,276	1,337,112	1,167,627	1,435,080
Interest Expenses	432,219	397,997	409,776	476,787	756,269
Net Interest Income	**549,978**	**430,279**	**927,336**	**690,840**	**678,811**
Commission and discount	85,219	105,300	122,393	145,796	162,850
Other Operating Income	117,653	190,767	125,074	50,496	61,582
Exchange Income	40,962	90,111	80,549	49,840	59,726
Total Operating Income	**793,812**	**816,457**	**1,255,353**	**936,972**	**962,969**
Employees Expenses	112,547	140,837	138,424	146,641	189,433
Other Operating Expenses	114,326	121,863	123,306	128,766	139,068
Exchange Loss	-	-	-	-	
Operating Profit Before Provision	**566,939**	**553,757**	**993,623**	**661,565**	**634,468**
Provisions for possible losses	1,502,798	379,304	283,319	148,389	422,426
Operating Profit	**(935,859)**	**174,453**	**710,303**	**513,176**	**212,042**
Non-Operating Income/ Expenses	24,200	18,239	22,934	18,384	25,162
Return From Loan Loss Provision	34,277	1,343,374	1,905,860	1,318,048	310,884
Profit From Ordinary activities	**(877,382)**	**1,536,066**	**2,639,097**	**1,849,608**	**548,088**
Extra ordinary Income /Expenses	-	(697,887)	(14,990)	(523,481)	106,998
Net Profit including all activities	**(877,382)**	**838,179**	**2,624,108**	**1,326,127**	**655,086**
Provision For Staff Bonus	-	76,198	238,555	120,557	59,553
Provision For Income Tax	184,198	165,494	227,446	184,190	180,023
-This Year	-	-	-	-	
-Up to Last Year	-	-	-	-	
Net Profit / Loss	**(1,061,580)**	**596,487**	**2,158,106**	**1,021,380**	**415,510**
Financial Indicators					
Core Capital to Risk Weighted Assets	-23.55%	-18.17%	4.42%	11.74%	10.53%
Capital Fund to Risk Weighted Assets	-23.55%	-18.17%	5.55%	12.81%	9.73%
Non-Performing Loan to Total Loan	39.76%	31.73%	19.80%	6.47%	19.18%
Weighted Average Interest Spread	4.90%	3.95%	3.92%	5.56%	4.96%
Net Interest Income (Rs. in thousand)	549,978	430,279	927,336	690,840	678,811
Return on Assets	-14.63%	6.35%	18.04%	8.15%	3.85%
Credit to Deposit	96.91%	87.01%	91.33%	78.26%	88.93%
Liquid Assets to Total Assets	28.13%	33.50%	35.84%	31.42%	28.80%

8. Nepal SBI Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	647,798	874,528	874,528	1,861,324	2,102,966
Reserves and Surplus	515,492	540,117	838,079	589,230	776,327
Debenture & Bond	200,000	200,000	200,000	200,000	200,000
Borrowing	815,365	1,627,480	727,466	-	0
Deposit	11,445,286	13,715,395	27,957,221	34,896,424	42,415,443
Bills Payable	48,856	75,115	62,947	72,368	80,685
Proposed & Payable dividend	91,024	12,229	24,905	83,080	93,465
Tax Liabilities	-	-	-	-	0
Other Liabilities	137,379	142,582	231,536	345,253	419,347
Total Liabilities	**13,901,200**	**17,187,446**	**30,916,682**	**38,047,679**	**46,088,233**
Cash Balance	287,530	308,102	652,027	815,680	1,007,688
Balance With NRB	556,678	403,810	444,139	1,842,802	2,330,927
Bank Balance with Banks	278,481	631,049	807,740	782,780	1,539,210
Money At call	350,000	304,013	-	-	0
Investment	2,659,453	3,088,887	13,286,182	16,305,633	18,911,021
Loan and Advances	9,460,451	12,113,698	15,131,748	17,480,548	21,365,771
Fixed Assets	97,219	120,222	253,581	418,244	417,003
Non- Banking Assets	3,847	-	-	-	0
Other Assets	207,541	217,665	341,265	401,992	516,613
Total Assets	**13,901,200**	**17,187,446**	**30,916,682**	**38,047,679**	**46,088,233**
Interest Income	831,117	970,513	1,460,446	2,269,704	3,104,232
Interest Expenses	412,262	454,918	824,700	1,443,693	2,096,038
Net Interest Income	**418,855**	**515,595**	**635,745**	**826,011**	**1,008,194**
Commission and discount	52,591	50,918	78,837	131,692	247,165
Other Operating Income	12,601	19,557	52,790	78,796	95,172
Exchange Income	49,464	51,989	61,294	70,328	70,532
Total Operating Income	**533,511**	**638,059**	**828,666**	**1,106,827**	**1,421,063**
Employees Expenses	53,232	74,890	121,989	130,336	255,430
Other Operating Expenses	120,112	152,380	223,966	343,850	445,072
Exchange Loss	-	-	-	-	0
Operating Profit Before Provision	**360,167**	**410,789**	**482,712**	**632,641**	**720,561**
Provisions for possible losses	59,377	57,464	40,345	62,350	46,308
Operating Profit	**300,790**	**353,325**	**442,366**	**570,291**	**674,253**
Non-Operating Income/ Expenses	(257)	(271)	2,516	2,552	3,113
Return From Loan Loss Provision	78,515	29,782	198,673	56,621	179,122
Profit From Ordinary activities	**379,048**	**382,836**	**643,556**	**629,464**	**856,488**
Extra ordinary Income /Expenses	-	-	(156,221)	(37,266)	(137,673)
Net Profit including all activities	**379,048**	**382,836**	**487,335**	**592,198**	**718,815**
Provision For Staff Bonus	34,459	34,803	44,303	53,836	65,346
Provision For Income Tax	89,681	100,263	126,658	146,620	188,904
-This Year	-	-	-	-	
-Up to Last Year	-	-	-	-	
Net Profit / Loss	**254,908**	**247,770**	**316,373**	**391,742**	**464,565**
Financial Indicators					
Core Capital to Risk Weighted Assets	10.53%	9.97%	10.03%	10.89%	10.32%
Capital Fund to Risk Weighted Assets	13.29%	12.32%	11.92%	12.25%	11.52%
Non-Performing Loan to Total Loan	4.56%	3.83%	2.02%	1.48%	1.10%
Weighted Average Interest Spread	3.01%	3.11%	2.84%	2.76%	2.86%
Net Interest Income (Rs. in thousand)	418,855	515,595	635,745	826,011	1,008,194
Return on Assets	1.83%	1.44%	1.02%	1.03%	1.01%
Credit to Deposit	82.66%	88.32%	55.84%	51.48%	51.20%
Liquid Assets to Total Assets	27.47%	27.24%	16.85%	20.38%	22.68%
Liquid Assets to Total Deposit	33.36%	34.14%	18.64%	22.22%	24.64%

9. Everest Bank Limited (Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	518,000	831,400	1,030,467	1,279,607	1,391,570
Reserves and Surplus	683,515	1,089,837	1,173,157	1,479,530	1,721,976
Debenture & Bond	300,000	300,000	300,000	300,000	300,000
Borrowing	-	-	312,000	404,600	482,000
Deposit	18,186,254	23,976,298	33,322,946	36,932,310	41,127,914
Bills Payable	26,776	49,430	148,656	145,514	49,716
Proposed & Payable dividend	68,146	140,790	230,525	276,253	576,898
Tax Liabilities	15,278	41,143	20,522	(1,136)	26,900
Other Liabilities	1,634,605	720,444	378,575	566,082	559,238
Total Liabilities	**21,432,574**	**27,149,342**	**36,916,848**	**41,382,760**	**46,236,212**
Cash Balance	534,997	822,990	944,696	1,091,500	1,048,999
Balance With NRB	1,178,198	1,080,915	4,787,164	5,625,114	4,706,320
Bank Balance with Banks	678,225	764,068	432,512	1,102,200	367,544
Money At call	-	346,000	-	-	0
Investment	4,984,315	5,059,557	5,948,480	5,008,308	7,743,928
Loan and Advances	13,664,082	18,339,085	23,884,674	27,556,356	31,057,691
Fixed Assets	170,097	360,512	427,157	463,094	460,259
Non- Banking Assets	-	-	-	-	0
Other Assets	222,660	376,215	492,166	536,188	851,471
Total Assets	**21,432,574**	**27,149,342**	**36,916,849**	**41,382,760**	**46,236,212**
Interest Income	1,144,408	1,548,657	2,186,815	3,102,451	4,331,026
Interest Expenses	517,166	632,609	1,012,874	1,572,790	2,535,876
Net Interest Income	**627,242**	**916,048**	**1,173,941**	**1,529,661**	**1,795,150**
Commission and discount	117,718	150,264	202,094	208,123	203,468
Other Operating Income	67,967	79,134	106,404	142,311	148,062
Exchange Income	28,405	64,452	62,527	47,880	46,259
Total Operating Income	**841,332**	**1,209,898**	**1,544,966**	**1,927,975**	**2,192,939**
Employees Expenses	86,118	157,957	186,920	226,364	293,130
Other Operating Expenses	177,546	233,767	292,011	352,511	383,112
Exchange Loss	-	-	-	-	0
Operating Profit Before Provision	**577,668**	**818,174**	**1,066,035**	**1,349,100**	**1,516,697**
Provisions for possible losses	89,696	99,340	93,085	77,010	(98,299)
Operating Profit	**487,972**	**718,834**	**972,950**	**1,272,090**	**1,614,996**
Non-Operating Income/ Expenses	1,315	4,519	5,005	12,338	1,433
Return From Loan Loss Provision	11,687	20,201	8,044	83,553	56,337
Profit From Ordinary activities	**500,974**	**743,554**	**986,000**	**1,367,981**	**1,672,766**
Extra ordinary Income /Expenses	(795)	(18,999)	(5,549)	(61,192)	(12,051)
Net Profit including all activities	**500,179**	**724,555**	**980,451**	**1,306,789**	**1,660,715**
Provision For Staff Bonus	45,471	65,869	89,132	118,799	133,101
Provision For Income Tax	158,299	207,468	252,586	356,225	596,310
-This Year	-	-	-	-	
-Up to Last Year	-	-	-	-	
Net Profit / Loss	**296,409**	**451,218**	**638,733**	**831,765**	**931,304**
Financial Indicators					
Core Capital to Risk Weighted Assets	7.80%	9.04%	8.52%	8.39%	8.46%
Capital Fund to Risk Weighted Assets	11.20%	11.44%	10.55%	10.77%	10.43%
Non-Performing Loan to Total Loan	0.80%	0.68%	0.48%	0.16%	0.34%
Weighted Average Interest Spread	3.90%	4.30%	4.40%	4.78%	4.60%
Net Interest Income (Rs. in thousand)	627,242	916,048	1,173,941	1,529,661	1,795,150
Return on Assets	1.40%	0.02	1.73%	2.09%	2.10%
Credit to Deposit	77.40%	79.00%	73.43%	74.61%	76.98%
Liquid Assets to Total Assets	47.11%	28.82%	30.64%	29.42%	28.70%
Liquid Assets to Total Deposit	55.51%	32.64%	33.94%	32.96%	32.26%

10. Bank of Kathmandu Limited

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	603,141	603,141	844,398	1,359,480	1,604,187
Reserves and Surplus	390,133	738,933	897,192	714,049	831,001
Debenture & Bond	200,000	200,000	200,000	200,000	200,000
Borrowing	730,000	100,000	100,000	300,000	464,900
Deposit	12,388,928	15,833,738	18,083,980	20,315,834	21,018,417
Bills Payable	25,777	51,576	51,125	35,702	19,051
Proposed & Payable dividend	135,575	32,804	77,333	177,324	227,713
Tax Liabilities	-	-	-	-	0
Other Liabilities	107,841	161,733	241,977	293,802	392,481
Total Liabilities	**14,581,395**	**17,721,925**	**20,496,005**	**23,396,191**	**24,757,750**
Cash Balance	219,043	536,747	565,066	455,181	542,371
Balance With NRB	883,496	606,049	1,324,108	687,582	641,694
Bank Balance with Banks	213,365	297,671	292,938	655,604	494,866
Money At call	259,278	72,680	243,352	931,988	479,920
Investment	2,992,434	3,204,068	2,783,599	3,269,205	4,286,599
Loan and Advances	9,399,328	12,462,637	14,647,297	16,664,931	17,468,194
Fixed Assets	320,846	387,274	417,041	491,295	501,995
Non- Banking Assets	3,626	453	-	-	0
Other Assets	289,979	154,346	222,606	240,405	342,111
Total Assets	**14,581,395**	**17,721,925**	**20,496,005**	**23,396,191**	**24,757,750**
Interest Income	819,004	1,034,158	1,347,755	1,870,847	2,386,780
Interest Expenses	339,181	417,543	563,113	902,927	1,218,790
Net Interest Income	**479,823**	**616,615**	**784,642**	**967,920**	**1,167,990**
Commission and discount	97,431	129,415	150,919	160,065	173,508
Other Operating Income	19,003	23,168	43,222	73,925	79,726
Exchange Income	80,826	93,764	136,036	140,785	117,098
Total Operating Income	**677,083**	**862,962**	**1,114,820**	**1,342,695**	**1,538,322**
Employees Expenses	69,740	90,602	146,495	168,513	196,170
Other Operating Expenses	138,430	170,481	233,668	294,457	285,992
Exchange Loss	-	-	-	-	0
Operating Profit Before Provision	**468,913**	**601,879**	**734,658**	**879,725**	**1,056,160**
Provisions for possible losses	81,895	38,438	33,745	119,401	152,748
Operating Profit	**387,018**	**563,441**	**700,912**	**760,324**	**903,412**
Non-Operating Income/ Expenses	(2,780)	810	(2,027)	2,918	5,464
Return From Loan Loss Provision	37,104	61,833	21,577	41,818	43,359
Profit From Ordinary activities	**421,342**	**626,084**	**720,462**	**805,060**	**952,235**
Extra ordinary Income /Expenses	411	(45,396)	6,934	-	(675)
Net Profit including all activities	**421,753**	**580,688**	**727,396**	**805,060**	**951,560**
Provision For Staff Bonus	38,341	52,790	66,127	73,187	86,505
Provision For Income Tax	121,025	166,402	199,535	222,610	259,903
-This Year	-	-	-	-	
-Up to Last Year	-	-	-	-	
Net Profit / Loss	**262,387**	**361,496**	**461,735**	**509,263**	**605,152**
Financial Indicators					
Core Capital to Risk Weighted Assets	9.43%	9.57%	9.81%	9.41%	10.37%
Capital Fund to Risk Weighted Assets	12.62%	11.94%	11.68%	10.85%	11.62%
Non-Performing Loan to Total Loan	2.51%	1.86%	1.27%	1.51%	1.82%
Weighted Average Interest Spread	4.04%	4.35%	4.72%	5.16%	5.45%
Net Interest Income (Rs. in thousand)	479,823	616,615	784,642	967,920	1,167,990
Return on Assets	1.80%	2.04%	2.25%	2.18%	2.44%
Credit to Deposit	78.25%	80.51%	82.65%	83.90%	85.43%
Liquid Assets to Total Assets	26.80%	20.46%	20.35%	24.30%	24.89%
Liquid Assets to Total Deposit	31.54%	22.90%	23.06%	27.98%	29.31%

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

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	699,117	1,399,558	1,399,558	1,399,671	1,400,000
Reserves and Surplus	(1,209,453)	(714,475)	(300,637)	123,036	344,241
Debenture & Bond	-	-	-	-	
Borrowing	-	-	-	206,900	374,800
Deposit	6,500,343	7,320,236	9,127,749	10,824,692	10,951,432
Bills Payable	14,509	110,171	15,375	30,652	8,558
Proposed & Payable dividend	-	-	-	-	
Tax Liabilities	-	2,643	-	-	21,138
Other Liabilities	32,160	123,201	348,803	176,121	164,686
Total Liabilities	**6,036,676**	**8,241,334**	**10,590,847**	**12,761,072**	**13,264,855**
Cash Balance	265,782	592,632	342,794	517,662	420,536
Balance With NRB	255,573	762,438	781,447	1,483,099	1,071,726
Bank Balance with Banks	236,808	122,763	62,764	195,585	243,605
Money At call	75,665	154,406	186,402	99,951	80,295
Investment	1,236,621	1,900,758	1,583,103	1,947,614	2,061,348
Loan and Advances	3,707,642	4,417,857	6,858,194	7,994,718	8,835,194
Fixed Assets	104,233	114,064	216,858	284,166	310,144
Non- Banking Assets	46,556	59,963	235,574	-	
Other Assets	107,796	116,453	323,712	238,277	242,007
Total Assets	**6,036,676**	**8,241,334**	**10,590,847**	**12,761,072**	**13,264,855**
Interest Income	474,408	576,609	758,363	1,042,243	1,342,865
Interest Expenses	283,006	278,724	352,060	580,165	873,283
Net Interest Income	**191,402**	**297,885**	**406,303**	**462,078**	**469,582**
Commission and discount	31,773	34,235	55,454	52,666	49,223
Other Operating Income	36,257	75,763	76,173	59,021	49,484
Exchange Income	5,940	18,467	20,314	18,767	10,343
Total Operating Income	**265,372**	**426,350**	**558,243**	**592,532**	**578,632**
Employees Expenses	56,156	76,072	93,390	105,112	108,314
Other Operating Expenses	89,623	95,931	96,089	111,353	122,297
Exchange Loss	-	-		-	
Operating Profit Before Provision	**119,593**	**254,347**	**368,764**	**376,067**	**348,021**
Provisions for possible losses	206,867	163,874	74,557	121,088	67,031
Operating Profit	**(87,274)**	**90,473**	**294,207**	**254,979**	**280,990**
Non-Operating Income/ Expenses	2,913	29,562	6,295	65,199	10,683
Return From Loan Loss Provision	50,901	733,488	300,767	240,083	69,959
Profit From Ordinary activities	**(33,460)**	**853,523**	**601,269**	**560,261**	**361,632**
Extra ordinary Income /Expenses	(42,420)	(222,019)	(36,202)	12,022	(11,680)
Net Profit including all activities	**(75,880)**	**631,504**	**565,067**	**572,283**	**349,952**
Provision For Staff Bonus	-	57,409	51,370	52,026	31,814
Provision For Income Tax	**40,049**	75,340	98,236	96,484	97,256
-This Year	-	0			98,492
-Up to Last Year	-	0			
Deferred Tax					(1,236)
Net Profit / Loss	**(115,929)**	**498,755**	**415,461**	**423,773**	**220,882**
Financial Indicators					
Core Capital to Risk Weighted Assets	-9.14%	9.61%	9.81%	12.69%	12.89%
Capital Fund to Risk Weighted Assets	-9.14%	11.09%	11.07%	13.94%	13.48%
Non-Performing Loan to Total Loan	31.40%	16.42%	8.60%	2.88%	3.82%
Weighted Average Interest Spread	3.40%	4.45%	4.29%	3.60%	3.00%
Net Interest Income (Rs. in thousand)	191,402	297,885	406,303	462,078	469,582
Return on Assets	-1.56%	5.48%	3.76%	3.21%	1.61%
Credit to Deposit	78.80%	72.14%	78.62%	77.49%	84.28%
Liquid Assets to Total Assets	33.00%	40.87%	26.45%	31.79%	33.99%

12. Lumbini Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	600,000	995,710	1,096,079	1,294,548	1,430,000
Reserves and Surplus	(1,029,665)	(702,016)	(143,027)	161,039	419,169
Debenture & Bond	-	-		-	0
Borrowing	23,514	0	19,538	14,972	0
Deposit	6,024,598	5,703,734	6,444,904	5,767,973	6,772,996
Bills Payable	14,260	29,075	17,916	10,303	6,229
Proposed & Payable dividend	-	-	-	-	6,842
Tax Liabilities	-	-	-	-	0
Other Liabilities	72,318	124,975	112,461	161,590	193,821
Total Liabilities	**5,705,025**	**6,151,478**	**7,547,870**	**7,410,425**	**8,829,057**
Cash Balance	138,478	146,316	168,146	198,537	293,318
Balance With NRB	280,521	411,341	749,886	561,335	720,933
Bank Balance with Banks	81,808	84,945	76,828	70,640	85,829
Money At call	295,605	67,714	441,801	147,709	0
Investment	864,337	817,471	803,625	1,078,895	1,332,994
Loan and Advances	3,840,687	4,489,494	4,983,388	5,107,264	6,111,977
Fixed Assets	42,701	41,288	46,167	66,622	100,647
Non- Banking Assets	73,752	35,762	16,046	-	0
Other Assets	87,136	57,147	261,983	179,423	183,359
Total Assets	**5,705,025**	**6,151,478**	**7,547,870**	**7,410,425**	**8,829,057**
Interest Income	458,649	535,801	580,438	713,357	942,742
Interest Expenses	264,765	260,390	264,426	336,201	519,079
Net Interest Income	**193,884**	**275,411**	**316,012**	**377,156**	**423,663**
Commission and discount	24,025	22,253	23,490	18,634	16,193
Other Operating Income	49,649	39,185	104,228	36,070	16,449
Exchange Income	13,737	14,245	25,705	16,454	11,232
Total Operating Income	**281,295**	**351,094**	**469,434**	**448,314**	**467,537**
Employees Expenses	59,937	59,172	77,349	67,357	81,531
Other Operating Expenses	68,683	71,613	78,453	78,913	115,965
Exchange Loss	-	-	-	-	0
Operating Profit Before Provision	**152,675**	**220,309**	**313,632**	**302,044**	**270,041**
Provisions for possible losses	217,859	164,628	66,182	66,230	44,237
Operating Profit	**(65,184)**	**55,681**	**247,449**	**235,814**	**225,804**
Non-Operating Income/ Expenses	1,233	(931)	(2,566)	1,644	1,622
Return From Loan Loss Provision	414,559	359,927	284,930	344,749	382,976
Profit From Ordinary activities	**350,608**	**414,677**	**529,813**	**582,207**	**610,402**
Extra ordinary Income /Expenses	(109,243)	5,359	(17,615)	(72,234)	(96,024)
Net Profit including all activities	**241,365**	**420,036**	**512,199**	**509,973**	**514,378**
Provision For Staff Bonus	21,942	38,185	46,564	46,361	46,761
Provision For Income Tax	27,018	54,202	133,429	159,547	77,924
-This Year	-	-	-	-	51,408
-Up to Last Year	-	-	-	-	
Deferred Tax					26,516
Net Profit / Loss	**192,405**	**327,649**	**332,206**	**304,065**	**389,693**
Financial Indicators					
Core Capital to Risk Weighted Assets	-7.80%	4.73%	16.87%	22.35%	22.65%
Capital Fund to Risk Weighted Assets	-7.80%	0.06%	17.78%	24.62%	24.22%
Non-Performing Loan to Total Loan	20.37%	14.92%	9.06%	4.53%	0.96%
Weighted Average Interest Spread	3.30%	4.24%	4.24%	4.13%	3.14%
Net Interest Income (Rs. in thousand)	193,884	275,411	316,012	377,156	423,663
Return on Assets	3.37%	5.36%	4.40%	4.10%	4.41%
Credit to Deposit	82.07%	94.10%	88.15%	95.23%	91.73%
Liquid Assets to Total Assets	27.91%	23.44%	28.56%	25.87%	34.72%

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

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	660,000	943,877	1,140,480	1,311,552	1,311,552
Reserves and Surplus	258,496	359,550	519,774	453,400	686,793
Debenture & Bond	200,000	200,000	200,000	200,000	200,000
Borrowing	352,129	335,000	660,405	1,723,250	773,300
Deposit	10,068,231	13,084,689	15,579,931	15,968,918	18,394,436
Bills Payable	31,691	32,564	265,107	17,542	17,536
Proposed & Payable dividend	11,380	12,475	11,000	345,145	262,310
Tax Liabilities	405	13,927	10,893	32,571	4,827
Other Liabilities	97,008	256,654	363,044	256,952	439,622
Total Liabilities	**11,679,340**	**15,238,736**	**18,750,633**	**20,309,330**	**22,090,376**
Cash Balance	181,607	235,246	337,349	530,610	405,796
Balance With NRB	262,735	634,115	970,981	589,322	817,946
Bank Balance with Banks	155,416	322,988	152,820	966,197	453,314
Money At call	163,009	160,000		100,000	0
Investment	1,599,481	2,311,469	3,026,022	4,946,778	4,868,915
Loan and Advances	8,941,398	11,264,678	13,679,394	12,732,014	14,933,940
Fixed Assets	153,679	194,500	259,325	297,192	354,782
Non- Banking Assets	1,164	674	703	-	0
Other Assets	220,851	115,066	324,038	147,217	255,683
Total Assets	**11,679,340**	**15,238,736**	**18,750,633**	**20,309,330**	**22,090,376**
Interest Income	725,819	931,400	1,283,521	1,777,165	2,321,406
Interest Expenses	421,375	505,996	767,197	1,031,474	1,446,635
Net Interest Income	**304,444**	**425,404**	**516,324**	**745,691**	**874,771**
Commission and discount	36,017	43,373	61,895	76,064	99,646
Other Operating Income	26,174	37,905	44,028	49,345	81,233
Exchange Income	44,277	39,658	97,673	90,909	68,028
Total Operating Income	**410,912**	**546,340**	**719,921**	**962,009**	**1,123,678**
Employees Expenses	54,920	72,073	84,545	118,858	139,901
Other Operating Expenses	64,631	81,203	109,784	137,749	187,989
Exchange Loss	-	-	-	-	0
Operating Profit Before Provision	**291,361**	**393,064**	**525,592**	**705,402**	**795,788**
Provisions for possible losses	37,771	25,414	39,509	17,741	34,901
Operating Profit	**253,590**	**367,650**	**486,082**	**687,661**	**760,887**
Non-Operating Income/ Expenses	409	10,649	2,489	11,458	16,910
Return From Loan Loss Provision	94,457	18,450	3,913	56,204	740
Profit From Ordinary activities	**348,456**	**396,749**	**492,485**	**755,323**	**778,537**
Extra ordinary Income /Expenses	(94,457)	(6,037)	7,617	(46,204)	11
Net Profit including all activities	**253,999**	**390,712**	**500,102**	**709,119**	**778,548**
Provision For Staff Bonus	23,091	35,519	45,464	64,465	
Provision For Income Tax	72,433	112,135	137,204	194,811	70,777
-This Year	-	-	-	-	212,068
-Up to Last Year	-	-	-	-	
Net Profit / Loss	**158,475**	**243,058**	**317,434**	**449,843**	**495,703**
Financial Indicators					
Core Capital to Risk Weighted Assets	9.21%	10.50%	10.48%	11.25%	11.34%
Capital Fund to Risk Weighted Assets	12.20%	13.11%	12.42%	12.92%	12.89%
Non-Performing Loan to Total Loan	1.11%	0.86%	0.23%	0.72%	0.60%
Weighted Average Interest Spread	2.87%	3.44%	3.50%	3.75%	3.75%
Net Interest Income (Rs. in thousand)	304,444	425,404	516,324	745,691	874,771
Return on Assets	1.36%	1.81%	1.88%	2.30%	2.34%
Credit to Deposit	90.67%	87.62%	89.32%	80.97%	82.45%
Liquid Assets to Total Assets	15.98%	19.02%	19.50%	30.36%	14.16%
Liquid Assets to Total Deposit	18.54%	22.15%	23.47%	38.61%	17.00%

14. Machhapuchchhre Bank Limited (Rs. '000')

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	821,651	901,339	1,479,270	1,627,196	1,627,197
Reserves and Surplus	185,641	262,008	220,928	146,314	146,426
Debenture & Bond	-	-	-	-	
Borrowing	228,504	88,508		150,000	1,251,242
Deposit	9,475,452	11,102,242	15,596,791	18,535,917	16,411,426
Bills Payable	21,482	10,311	24,445	15,402	
Proposed & Payable dividend	-	8,649	112	-	
Tax Liabilities	7,372	3,037	11,765	-	
Other Liabilities	70,228	122,454	157,472	203,961	789,488
Total Liabilities	**10,810,330**	**12,498,548**	**17,490,782**	**20,678,790**	**20,225,779**
Cash Balance	385,941	560,317	743,199	1,049,327	2,207,561
Balance With NRB	785,689	893,295	1,755,982	1,094,664	
Bank Balance with Banks	112,451	134,951	267,468	315,726	
Money At call	694,000	70,000		661,564	307,891
Investment	1,278,469	1,443,551	1,246,159	2,096,792	1,409,556
Loan and Advances	7,129,891	8,642,323	12,516,012	14,289,793	14,731,040
Fixed Assets	262,246	535,886	664,158	732,291	725,485
Non- Banking Assets	3,392	-	4,500	-	
Other Assets	158,251	218,225	293,304	438,633	844,246
Total Assets	**10,810,330**	**12,498,548**	**17,490,782**	**20,678,790**	**20,225,779**
Interest Income	694,482	796,597	1,041,473	1,688,617	2,080,305
Interest Expenses	397,722	407,919	580,036	1,144,808	1,544,728
Net Interest Income	**296,760**	**388,678**	**461,437**	**543,809**	**535,577**
Commission and discount	34,305	35,616	38,017	49,904	44,183
Other Operating Income	49,039	30,072	57,136	60,634	72,406
Exchange Income	29,036	45,699	59,818	42,695	38,433
Total Operating Income	**409,140**	**500,065**	**616,408**	**697,042**	**690,599**
Employees Expenses	54,360	71,421	90,996	152,113	164,250
Other Operating Expenses	101,467	124,408	182,841	223,469	274,325
Exchange Loss	1,893	-	-	-	
Operating Profit Before Provision	**251,420**	**304,236**	**342,571**	**321,460**	**252,024**
Provisions for possible losses	157,606	264,487	258,939	335,041	337,850
Operating Profit	**93,814**	**39,749**	**83,632**	**(13,581)**	**(85,826)**
Non-Operating Income/ Expenses	462	(48)	24	-	98,774
Return From Loan Loss Provision	48,185	135,405	110,738	117,796	685,546
Profit From Ordinary activities	**142,461**	**175,106**	**194,395**	**104,215**	**698,494**
Extra ordinary Income /Expenses	(14,319)	38	(500)	9,970	(685,546)
Net Profit including all activities	**128,142**	**175,144**	**193,895**	**114,185**	**12,948**
Provision For Staff Bonus	11,403	15,922	17,627	10,380	1,177
Provision For Income Tax	39,940	74,206	53,017	30,492	3,531
-This Year	-	-	-	-	
-Up to Last Year	-	-	-	-	
Net Profit / Loss	**76,799**	**85,016**	**123,251**	**73,313**	**8,240**
Financial Indicators					
Core Capital to Risk Weighted Assets	10.68%	10.97%	10.96%	9.94%	10.86%
Capital Fund to Risk Weighted Assets	11.97%	12.29%	11.84%	11.24%	10.00%
Non-Performing Loan to Total Loan	1.16%	1.04%	2.33%	2.32%	4.46%
Weighted Average Interest Spread	3.38%	3.96%	3.60%	3.40%	2.27%
Net Interest Income (Rs. in thousand)	296,760	388,678	461,437	543,809	535,577
Return on Assets	0.69%	0.68%	0.70%	0.35%	0.03%
Credit to Deposit	77.25%	81.00%	83.00%	80.78%	92.35%
Liquid Assets to Total Assets	27.10%	19.89%	18.55%	24.27%	18.56%
Liquid Assets to Total Deposit	30.92%	22.39%	20.80%	27.07%	22.87%

15. Kumari Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	750,000	1,070,000	1,304,936	1,306,016	1,603,800
Reserves and Surplus	275,630	294,885	320,017	479,743	610,037
Debenture & Bond	-	400,000	400,000	400,000	400,000
Borrowing	212,970	100,000	293,420	429,739	660,925
Deposit	10,557,416	12,774,281	15,710,925	17,432,253	16,986,279
Bills Payable	16,554	65,297	70,087	42,313	8,118
Proposed & Payable dividend	-	-	6,584	156,816	6,582
Tax Liabilities	11,007	(9,650)	235	-	
Other Liabilities	94,734	331,786	432,361	275,594	216,044
Total Liabilities	**11,918,311**	**15,026,599**	**18,538,565**	**20,522,474**	**20,491,785**
Cash Balance	190,748	565,641	549,109	574,066	524,781
Balance With NRB	384,845	244,576	1,120,761	1,663,998	526,949
Bank Balance with Banks	96,520	123,624	106,430	485,765	116,794
Money At call	372,215	55,360	30,000	120,000	451,520
Investment	1,678,418	2,138,797	1,510,828	2,296,873	3,533,623
Loan and Advances	8,929,013	11,335,088	14,593,347	14,765,912	14,626,074
Fixed Assets	189,324	222,001	247,833	285,638	306,277
Non- Banking Assets	2,395	3,141	-	-	
Other Assets	74,833	338,371	380,258	330,222	405,767
Total Assets	**11,918,311**	**15,026,599**	**18,538,565**	**20,522,474**	**20,491,785**
Interest Income	791,284	957,246	1,374,722	1,871,066	2,251,791
Interest Expenses	397,053	498,734	816,203	1,188,918	1,566,551
Net Interest Income	**394,231**	**458,512**	**558,520**	**682,148**	**685,240**
Commission and discount	40,764	48,494	79,104	100,337	99,707
Other Operating Income	15,281	17,805	19,747	41,614	53,636
Exchange Income	20,294	41,807	59,002	37,925	36,719
Total Operating Income	**470,570**	**566,618**	**716,372**	**862,024**	**875,302**
Employees Expenses	74,244	89,570	115,985	143,278	168,352
Other Operating Expenses	104,079	148,143	186,502	217,606	212,938
Exchange Loss	-	0		0	
Operating Profit Before Provision	**292,247**	**328,905**	**413,885**	**501,140**	**494,012**
Provisions for possible losses	24,950	64,024	57,403	13,078	113,780
Operating Profit	**267,297**	**264,881**	**356,482**	**488,062**	**380,232**
Non-Operating Income/ Expenses	670	15,588	1,112	699	632
Return From Loan Loss Provision	6,264	7,241	47,021	14,824	13,788
Profit From Ordinary activities	**274,231**	**287,710**	**404,615**	**503,585**	**394,652**
Extra ordinary Income /Expenses	(817)	(4,531)	(876)	(352)	(342)
Net Profit including all activities	**273,414**	**283,179**	**403,739**	**503,233**	**394,310**
Provision For Staff Bonus	24,856	25,743	36,704	45,748	35,846
Provision For Income Tax	78,296	82,506	105,593	140,943	107,227
-This Year	-	-	-	-	100,032
-Up to Last Year	-	-	-	-	3,023
Deferred Tax					4,171
Net Profit / Loss	**170,262**	**174,930**	**261,443**	**316,542**	**251,237**
Financial Indicators					
Core Capital to Risk Weighted Assets	10.26%	10.40%	9.09%	10.29%	12.35%
Capital Fund to Risk Weighted Assets	11.22%	14.41%	11.56%	12.34%	13.76%
Non-Performing Loan to Total Loan	0.73%	1.32%	0.44%	0.50%	1.12%
Weighted Average Interest Spread	4.67%	4.30%	4.17%	3.28%	3.92%
Net Interest Income (Rs. in thousand)	394,231	458,512	558,520	682,148	685,240
Return on Assets	1.43%	1.16%	1.41%	1.59%	1.23%
Credit to Deposit	85.84%	92.00%	94.17%	79.45%	87.87%
Liquid Assets to Total Assets	19.65%	16.36%	10.75%	22.29%	21.60%

16. Laxmi Bank Limited (Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	729,697	913,196	1,174,952	1,613,520	1,694,197
Reserves and Surplus	134,696	243,179	168,267	298,810	419,180
Debenture & Bond	-	0	350,000	350,000	350,000
Borrowing	-	450,000	450,000	100,000	
Deposit	7,611,653	10,917,232	16,051,303	18,082,958	18,299,627
Bills Payable	3,091	5,851	16,158	5,263	302,100
Proposed & Payable dividend	127	9,759	4,172	209,757	174,099
Tax Liabilities	-	-	5,001	2,802	4,678
Other Liabilities	103,424	155,804	166,559	289,139	316,010
Total Liabilities	**8,582,688**	**12,695,021**	**18,386,413**	**20,952,249**	**21,559,891**
Cash Balance	119,437	267,932	211,721	244,205	356,669
Balance With NRB	323,698	720,394	1,243,649	1,219,716	1,866,491
Bank Balance with Banks	26,587	249,834	377,407	376,782	551,432
Money at call	13,028	251,738	405,700	904,377	50,000
Investment	1,437,171	1,241,042	2,483,150	3,186,906	3,041,422
Loan and Advances	6,437,449	9,680,949	13,315,604	14,560,110	15,199,848
Fixed Assets	140,022	204,397	247,734	282,349	352,338
Non- Banking Assets	784	-	-	-	
Other Assets	84,512	78,735	101,447	177,804	141,691
Total Assets	**8,582,688**	**12,695,021**	**18,386,413**	**20,952,249**	**21,559,891**
Interest Income	470,495	711,006	1,098,985	1,787,692	2,233,333
Interest Expenses	280,278	421,872	712,348	1,135,609	1,503,851
Net Interest Income	**190,217**	**289,134**	**386,637**	**652,083**	**729,482**
Commission and discount	15,156	20,943	29,635	46,867	67,796
Other Operating Income	15,710	25,482	70,917	60,031	69,514
Exchange Income	20,904	46,637	51,005	47,563	63,128
Total Operating Income	**241,987**	**382,196**	**538,194**	**806,544**	**929,920**
Employees Expenses	48,785	63,995	86,407	122,405	157,662
Other Operating Expenses	63,547	83,849	112,973	142,169	169,294
Exchange Loss	-	-	-	-	0
Operating Profit Before Provision	**129,655**	**234,352**	**338,814**	**541,970**	**602,964**
Provisions for possible losses	22,756	36,407	41,360	28,766	13,635
Operating Profit	**106,899**	**197,945**	**297,454**	**513,204**	**589,329**
Non-Operating Income/ Expenses	(8,365)	(7,995)	(7,595)	1,325	874
Return From Loan Loss Provision	10,969	11,809	7,105	3,644	798
Profit From Ordinary activities	**109,503**	**201,759**	**296,964**	**518,173**	**591,001**
Extra ordinary Income /Expenses	(4,309)	(7,637)	(4,413)	(4,366)	2,348
Net Profit including all activities	**105,194**	**194,122**	**292,551**	**513,807**	**593,349**
Provision For Staff Bonus	9,563	17,647	26,596	46,710	53,941
Provision For Income Tax	30,052	56,444	76,956	140,060	
-This Year	-	0			161,482
-Up to Last Year	-	0			
Deferred Tax					2,781
Net Profit / Loss	**65,579**	**120,031**	**188,999**	**327,037**	**375,145**
Financial Indicators					
Core Capital to Risk Weighted Assets	11.33%	10.10%	8.47%	11.17%	9.79%
Capital Fund to Risk Weighted Assets	12.43%	11.17%	11.48%	13.71%	11.63%
Non-Performing Loan to Total Loan	0.35%	0.13%	0.08%	0.12%	0.90%
Weighted Average Interest Spread	3.20%	3.40%	3.71%	3.55%	4.02%
Net Interest Income (Rs. in thousand)	190,217	289,134	386,637	652,083	729,482
Return on Assets	0.95%	1.13%	1.22%	1.66%	1.70%
Credit to Deposit	85.78%	89.72%	83.88%	81.49%	84.10%
Liquid Assets to Total Assets	17.02%	17.13%	16.98%	20.12%	22.24%
Liquid Assets to Total Deposit	19.19%	19.92%	19.45%	23.31%	26.20%

17. Siddhartha Bank Limited (Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	600,000	828,000	952,200	1,310,436	1,618,264
Reserves and Surplus	193,710	240,346	326,545	293,106	370,141
Debenture & Bond	-	-	227,770	227,770	227,770
Borrowing	430,000	205,133	327,600	345,000	45,000
Deposit	6,625,078	10,191,441	15,854,798	20,197,029	21,575,654
Bills Payable	-	15,884	17,877	35,704	2,686
Proposed & Payable dividend	4,737	6,537	7,517	131,457	200,939
Tax Liabilities	5,203	11,155	4,846	7,439	15,659
Other Liabilities	95,936	169,860	162,597	254,488	349,759
Total Liabilities	**7,954,664**	**11,668,356**	**17,881,750**	**22,802,429**	**24,405,872**
Cash Balance	130,442	149,007	270,946	326,868	491,249
Balance With NRB	380,564	270,219	984,981	1,027,465	1,222,412
Bank Balance With Banks	6,220	18,199	291,757	1,052,277	192,024
Money At call	229,446	584,736	484,840	699,042	882,781
Investment	865,189	1,150,096	2,176,428	2,452,475	2,537,909
Loan and Advances	6,222,587	9,335,598	13,328,622	16,653,852	18,384,033
Fixed Assets	46,667	72,398	172,158	360,426	368,174
Non- Banking Assets	10,173	-	-	-	
Other Assets	63,376	88,103	172,019	230,024	327,290
Total Assets	**7,954,664**	**11,668,356**	**17,881,750**	**22,802,429**	**24,405,872**
Interest Income	481,524	729,872	1,265,582	2,018,291	2,690,294
Interest Expenses	271,711	408,189	813,619	1,406,489	1,925,243
Net Interest Income	**209,813**	**321,683**	**451,963**	**611,802**	**765,051**
Commission and discount	20,178	21,454	32,548	42,758	68,049
Other Operating Income	18,659	31,294	46,354	50,694	62,252
Exchange Income	14,245	27,487	38,682	12,168	38,690
Total Operating Income	**262,895**	**401,918**	**569,547**	**717,422**	**934,042**
Employees Expenses	33,620	48,247	79,385	103,680	155,803
Other Operating Expenses	55,721	71,480	114,817	175,735	265,477
Exchange Loss	-	-	-	-	
Operating Profit Before Provision	**173,554**	**282,191**	**375,346**	**438,007**	**512,762**
Provisions for possible losses	20,544	48,048	39,842	65,322	42,628
Operating Profit	**153,010**	**234,143**	**335,503**	**372,685**	**470,133**
Non-Operating Income/ Expenses	35	506		10,858	1,433
Return From Loan Loss Provision	-	4,031	8,857	-	20,871
Profit From Ordinary activities	**153,045**	**238,680**	**344,361**	**383,543**	**492,438**
Extra ordinary Income /Expenses	-	0	(8,857)	-	
Net Profit including all activities	**153,045**	**238,680**	**335,503**	**383,543**	**492,438**
Provision For Staff Bonus	13,913	21,698	30,500	34,868	44,767
Provision For Income Tax	43,826	73,808	87,087	107,828	136,255
-This Year	-	-	-	-	136,140
-Up to Last Year	-	-	-	-	2,040
Deferred Tax					1924.703
Net Profit / Loss	**95,306**	**143,174**	**217,916**	**240,847**	**311,415**
Financial Indicators					
Core Capital to Risk Weighted Assets	10.78%	10.19%	8.26%	8.00%	9.05%
Capital Fund to Risk Weighted Assets	11.84%	11.14%	10.39%	10.04%	10.78%
Non-Performing Loan to Total Loan	0.34%	0.69%	0.45%	0.53%	0.79%
Weighted Average Interest Spread	3.57%	3.71%	3.45%	3.94%	3.94%
Net Interest Income (Rs. in thousand)	209,813	321,683	451,963	611,802	765,051
Return on Assets	1.20%	1.23%	1.22%	1.06%	1.28%
Credit to Deposit	95.39%	93.03%	85.18%	83.65%	86.43%
Liquid Assets to Total Assets	17.25%	16.05%	20.84%	19.77%	18.78%
Liquid Assets to Total Deposit	20.72%	18.37%	23.50%	22.32%	21.25%

18. Agriculture Development Bank Ltd. Nepal (Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	7,528,000	10,777,500	10,777,500	9,437,500	9,474,300
Reserves and Surplus	(6,254,909)	(5,442,189)	(452,327)	1,430,001	3,734,931
Debenture & Bond	-	0		2,300,000	2,300,000
Borrowing	373,947	257,373	198,250	259,562	243,701
Deposit	32,416,358	32,553,827	35,159,610	32,472,569	34,394,627
Bills Payable	-	-	-	-	
Proposed & Payable dividend	-	-	276,000	276,000	276,000
Tax Liabilities	284,744	365,242	597,719	941,920	1,321,153
Other Liabilities	3,812,071	5,174,996	5,261,987	6,902,674	7,577,440
Total Liabilities	**38,160,211**	**43,686,749**	**51,818,739**	**54,020,226**	**59,322,152**
Cash Balance	749,552	905,235	1,413,971	1,366,731	1,581,094
Balance With NRB	2,001,144	1,806,731	2,717,813	1,759,468	2,553,275
Bank Balance With Banks	938,625	912,032	1,075,869	1,035,206	674,585
Money At call	161,599	49,995	2,244,198	1,611,342	27,289
Investment	3,177,461	4,757,097	4,896,062	4,540,084	7,348,073
Loan and Advances	27,252,333	30,589,428	32,603,096	33,876,957	34,459,919
Fixed Assets	788,868	781,149	803,333	968,745	1,022,894
Non- Banking Assets	-	-	-	-	
Other Assets	3,090,629	3,885,082	6,064,398	8,861,693	11,655,023
Total Assets	**38,160,211**	**43,686,749**	**51,818,739**	**54,020,226**	**59,322,152**
Interest Income	4,623,096	3,961,131	4,231,143	5,464,857	6,101,187
Interest Expenses	1,605,867	1,641,207	1,157,071	1,507,997	2,116,489
Net Interest Income	**3,017,229**	**2,319,924**	**3,074,072**	**3,956,860**	**3,984,698**
Commission and discount	49,818	71,139	90,045	101,727	261,741
Other Operating Income	232,033	350,676	382,246	318,804	322,224
Exchange Income	-	11,955	22,096	0	
Total Operating Income	**3,299,080**	**2,753,694**	**3,568,459**	**4,377,391**	**4,568,663**
Employees Expenses	1,306,805	1,849,133	2,486,716	2,679,861	2,209,114
Other Operating Expenses	277,546	288,020	300,691	330,022	376,623
Exchange Loss	14,061	-	-	5,576	1,268
Operating Profit Before Provision	**1,700,668**	**616,541**	**781,052**	**1,361,932**	**1,981,658**
Provisions for possible losses	337,783	2,677,476	2,184,688	2,582,234	2,504,031
Operating Profit	**1,362,885**	**(2,060,935)**	**(1,403,636)**	**(1,220,302)**	**(522,373)**
Non-Operating Income/ Expenses	7,419	18,336	634,989	19,474	105,562
Return From Loan Loss Provision	1,803,214	4,064,478	1,381,932	2,469,671	2,182,828
Profit From Ordinary activities	**3,173,518**	**2,021,879**	**613,284**	**1,268,843**	**1,766,017**
Extra ordinary Income /Expenses	(1,883,003)	(1,212,162)	1,106,749	667,292	367,166
Net Profit including all activities	**1,290,515**	**809,717**	**1,720,033**	**1,936,135**	**2,133,183**
Provision For Staff Bonus	95,594	59,979	127,410	143,417	158,013
Provision For Income Tax	136,473	80,499	535,023	(99,667)	379,232
-This Year	-	-	-	-	379,232
-Up to Last Year	-	-	-	-	
					789,296
Net Profit / Loss	**1,058,448**	**669,239**	**1,057,600**	**1,892,385**	**2,385,234**
Financial Indicators					
Core Capital to Risk Weighted Assets	2.68%	6.09%	11.04%	14.66%	16.34%
Capital Fund to Risk Weighted Assets	4.84%	11.41%	15.69%	19.19%	20.47%
Non-Performing Loan to Total Loan	17.96%	11.69%	9.71%	8.36%	8.99%
Weighted Average Interest Spread	5.88%	4.52%	5.87%	6.09%	6.35%
Net Interest Income (Rs. in thousand)	3,017,229	2,319,924	3,074,072	3,956,860	3,984,698
Return on Assets	-	0.00%	2.04%	3.50%	4.02%
Credit to Deposit	106.24%	112.44%	108.93%	121.90%	117.38%
Liquid Assets to Total Assets	14.70%	8.41%	21.08%	17.03%	18.17%
Liquid Assets to Total Deposit	17.31%	11.29%	31.07%	28.33%	31.34%

19. Global Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	510,000	700,000	1,000,000	1,473,350	1,600,000
Reserves and Surplus	(38,612)	22,622	48,927	47,672	108,027
Debenture & Bond	-	-	-	-	0
Borrowing	30,000	100,000	499,460	339,160	401,789
Deposit	3,023,616	7,319,702	10,932,984	15,031,548	15,066,490
Bills Payable	2,534	30,637	76,459	66,632	60,460
Proposed & Payable dividend	-	-	-	74,258	80,263
Tax Liabilities	-	282	-	-	0
Other Liabilities	9,178	92,473	68,643	168,795	205,679
Total Liabilities	**3,536,716**	**8,265,716**	**12,626,473**	**17,201,415**	**17,522,708**
Cash Balance	66,728	576,459	326,273	543,541	522,684
Balance With NRB	304,184	604,812	914,399	945,041	808,765
Bank Balance With Banks	102,128	86,712	141,470	945,756	422,997
Money At call	-	457,760	36,643	-	0
Investment	389,480	1,187,415	1,620,121	2,270,487	2,920,247
Loan and Advances	2,564,140	5,084,730	9,063,092	11,960,452	12,372,424
Fixed Assets	52,509	105,386	224,351	284,400	231,579
Non- Banking Assets	-	-	-	-	0
Other Assets	57,547	162,442	300,124	251,738	244,012
Total Assets	**3,536,716**	**8,265,716**	**12,626,473**	**17,201,415**	**17,522,708**
Interest Income	65,103	357,911	683,933	1,464,978	1,963,603
Interest Expenses	40,325	218,947	459,784	962,010	1,288,051
Net Interest Income	**24,778**	**138,964**	**224,150**	**502,968**	**675,552**
Commission and discount	3,969	18,991	46,019	54,618	67,518
Other Operating Income	2,086	9,670	33,841	75,488	84,979
Exchange Income	6,479	26,541	30,210	35,362	30,937
Total Operating Income	**37,312**	**194,166**	**334,220**	**668,436**	**858,986**
Employees Expenses	12,706	41,962	66,322	100,256	155,004
Other Operating Expenses	24,794	60,107	132,894	209,346	237,364
Exchange Loss	-	-	-	-	0
Operating Profit Before Provision	**(188)**	**92,097**	**135,004**	**358,834**	**466,618**
Provisions for possible losses	38,425	16,917	70,218	195,065	252,931
Operating Profit	**(38,613)**	**75,180**	**64,785**	**163,769**	**213,687**
Non-Operating Income/ Expenses	-	-	-	440	(132)
Return From Loan Loss Provision	-	-	-	-	166,245
Profit From Ordinary activities	**(38,613)**	**75,180**	**64,785**	**164,209**	**379,800**
Extra ordinary Income /Expenses	-	-	-	-	(93,481)
Net Profit including all activities	**(38,613)**	**75,180**	**64,785**	**164,209**	**286,319**
Provision For Staff Bonus	-	6,834	5,890	14,928	26,029
Provision For Income Tax	-	7,112	3,291	76,278	35,312
-This Year	-	-	-	-	
-Up to Last Year	-	-	-	-	
Net Profit / Loss	**(38,613)**	**61,234**	**55,605**	**73,003**	**224,978**
Financial Indicators					
Core Capital to Risk Weighted Assets	14.00%	10.95%	9.42%	10.50%	10.14%
Capital Fund to Risk Weighted Assets	16.00%	11.80%	10.31%	11.39%	11.09%
Non-Performing Loan to Total Loan	-	-	0.09%	0.85%	2.52%
Weighted Average Interest Spread	3.25%	3.05%	3.05%	3.05%	3.27%
Net Interest Income (Rs. in thousand)	24,778	138,964	224,150	502,968	675,552
Return on Assets	-1.15%	0.75%	0.21%	0.42%	1.28%
Credit to Deposit	86.00%	70.22%	83.78%	83.48%	84.82%
Liquid Assets to Total Assets	16.90%	29.61%	21.90%	25.50%	21.77%
Liquid Assets to Total Deposit	19.77%	33.43%	25.30%	29.18%	25.31%

20. Citizens Bank International Limited (Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	560,000	560,000	1,000,000	1,206,950	2,040,000
Reserves and Surplus	(15,420)	39,421	34,073	101,319	132,119
Debenture & Bond	-	-			0
Borrowing	1,372,569	476,074	250,000	651,151	805,000
Deposit	1,553,170	6,139,579	11,524,426	14,214,482	13,478,333
Bills Payable	1,297	4,209	4,166	2,430	3,782
Proposed & Payable dividend	-	-	100,000	126,316	170,526
Tax Liabilities	-	-	-	-	0
Other Liabilities	15,680	50,017	53,409	214,237	185,277
Total Liabilities	**3,487,296**	**7,269,300**	**12,966,074**	**16,516,885**	**16,815,037**
Cash Balance	46,111	316,759	366,875	626,708	831,453
Balance With NRB	76,725	299,590	1,134,215	1,596,432	492,519
Bank Balance With Banks	23,985	116,134	154,264	222,478	181,563
Money At call	-	442,682	900,400	234,981	226,837
Investment	1,221,389	1,174,029	2,027,338	2,680,168	2,401,437
Loan and Advances	2,026,210	4,750,342	8,128,114	10,785,658	12,271,826
Fixed Assets	73,809	126,104	121,659	163,856	192,066
Non- Banking Assets	-	-	-	-	0
Other Assets	19,067	43,660	133,211	206,604	217,336
Total Assets	**3,487,296**	**7,269,300**	**12,966,074**	**16,516,885**	**16,815,037**
Interest Income	26,955	396,842	758,256	1,398,830	1,795,232
Interest Expenses	14,830	252,028	508,802	950,898	1,236,322
Net Interest Income	**12,125**	**144,814**	**249,454**	**447,932**	**558,910**
Commission and discount	664	9,028	12,295	25,135	32,533
Other Operating Income	6,782	24,537	45,805	67,846	65,121
Exchange Income	582	8,900	8,825	15,275	13,282
Total Operating Income	**20,153**	**187,279**	**316,379**	**556,188**	**669,846**
Employees Expenses	6,030	29,049	40,219	63,465	81,689
Other Operating Expenses	9,026	51,719	91,673	131,632	179,151
Exchange Loss	-	-	-	-	0
Operating Profit Before Provision	**5,097**	**106,511**	**184,487**	**361,091**	**409,006**
Provisions for possible losses	20,517	27,466	34,119	57,124	103,368
Operating Profit	**(15,420)**	**79,045**	**150,368**	**303,967**	**305,638**
Non-Operating Income/ Expenses	-	244	273	1,173	6,730
Return From Loan Loss Provision	-	0	0		0
Profit From Ordinary activities	**(15,420)**	**79,289**	**150,641**	**305,140**	**312,368**
Extra ordinary Income /Expenses	-	0	0	0	0
Net Profit including all activities	**(15,420)**	**79,289**	**150,641**	**305,140**	**312,368**
Provision For Staff Bonus	-	7,208	13,695	27,740	28,397
Provision For Income Tax	-	17,240	41,137	83,839	85,617
-This Year	-	-	-	-	
-Up to Last Year	-	-	-	-	
Net Profit / Loss	**(15,420)**	**54,841**	**95,810**	**193,561**	**198,354**
Financial Indicators					
Core Capital to Risk Weighted Assets	21.07%	11.18%	10.79%	10.51%	14.69%
Capital Fund to Risk Weighted Assets	21.86%	12.08%	11.65%	11.40%	15.53%
Non-Performing Loan to Total Loan	-	0	0.00%	0.31%	1.17%
Weighted Average Interest Spread	3.24%	4.46%	4.91%	3.73%	3.27%
Net Interest Income (Rs. in thousand)	12,125	144,814	249,454	447,932	558,910
Return on Assets	-0.44	0.75%	0.74%	1.17%	1.18%
Credit to Deposit	130.46%	78.15%	71.24%	76.86%	92.85%
Liquid Assets to Total Assets	4.21%	18.61%	22.31%	24.44%	16.93%
Liquid Assets to Total Deposit	9.45%	22.03%	25.10%	28.40%	21.12%

21. Prime Commercial Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital		700,000	963,755	1,373,755	2,245,746
Reserves and Surplus		28,007	65,449	164,645	241,112
Debenture & Bond		-	-	-	0
Borrowing		265,502	539,364	448,800	213,120
Deposit		5,275,649	11,779,989	17,883,518	18,938,903
Bills Payable		753	9,809	29,425	17,159
Proposed & Payable dividend		-	5,263	115,789	283,673
Tax Liabilities		-	-	4,889	14,603
Other Liabilities		118,586	93,259	198,008	131,786
Total Liabilities		**6,388,497**	**13,456,887**	**20,218,829**	**22,086,102**
Cash Balance		92,185	279,676	761,017	905,065
Balance With NRB		178,191	950,917	2,035,518	1,735,542
Bank Balance With Banks		27,891	148,733	711,944	285,218
Money At call		450,000		453,826	604,869
Investment		378,563	2,097,042	2,038,603	1,366,046
Loan and Advances		5,104,412	9,732,585	13,946,600	16,894,719
Fixed Assets		40,333	108,064	162,574	180,786
Non- Banking Assets		-	-	-	0
Other Assets		116,922	139,870	108,747	113,857
Total Assets		**6,388,497**	**13,456,887**	**20,218,829**	**22,086,102**
Interest Income		224,530	822,685	1,749,859	2,477,093
Interest Expenses		121,365	564,655	1,193,075	1,780,463
Net Interest Income		**103,165**	**258,030**	**556,784**	**696,630**
Commission and discount		5,209	21,516	25,662	46,341
Other Operating Income		35,908	81,760	129,949	105,375
Exchange Income		3,403	10,961	21,772	15,471
Total Operating Income		**147,685**	**372,267**	**734,167**	**863,817**
Employees Expenses		21,954	34,320	57,518	81,013
Other Operating Expenses		29,197	68,315	109,996	152,028
Exchange Loss		-	-	-	0
Operating Profit Before Provision		**96,534**	**269,633**	**566,653**	**630,776**
Provisions for possible losses		51,559	46,749	57,541	61,414
Operating Profit		**44,975**	**222,883**	**509,112**	**569,362**
Non-Operating Income/ Expenses		-	-	4,986	0
Return From Loan Loss Provision		-	-	21	0
Profit From Ordinary activities		**44,975**	**222,883**	**514,119**	**569,362**
Extra ordinary Income /Expenses		-	-	-	0
Net Profit including all activities		**44,975**	**222,883**	**514,119**	**569,362**
Provision For Staff Bonus		4,089	20,265	46,738	51,760
Provision For Income Tax		12,879	59,936	142,396	157,462
-This Year		-	-	-	0
-Up to Last Year		-	-	-	0
Net Profit / Loss		**28,007**	**142,682**	**324,985**	**360,140**
Financial Indicators					
Core Capital to Risk Weighted Assets		12.31%	9.47%	9.78%	13.66%
Capital Fund to Risk Weighted Assets		13.18%	10.38%	10.67%	14.60%
Non-Performing Loan to Total Loan			0.00%	0.00%	0.57%
Weighted Average Interest Spread		3.55%	3.57%	2.54%	3.80%
Net Interest Income (Rs. in thousand)		103,165	258,030	556,784	696,630
Return on Assets		0.44%	1.06%	1.61%	1.63%
Credit to Deposit		96.75%	82.62%	78.86%	90.35%
Liquid Assets to Total Assets		14.70%	15.59%	25.68%	20.83%
Liquid Assets to Total Deposit		17.80%	17.81%	29.03%	24.29%

22. Bank of Asia Nepal Limited

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital		700,000	1,000,000	1,500,000	2,000,000
Reserves and Surplus		4,462	15,955	84,990	154,441
Debenture & Bond		-			0
Borrowing		500,000	1,409,657	876,440	990,000
Deposit		3,054,837	8,875,563	12,480,761	13,677,365
Bills Payable		3,380	153,198	21,401	4,112
Proposed & Payable dividend		-	50,000	157,895	147,368
Tax Liabilities		852	-	2,048	0
Other Liabilities		29,503	139,135	420,037	726,283
Total Liabilities		**4,293,034**	**11,643,508**	**15,543,572**	**17,699,569**
Cash Balance		73,150	236,519	268,765	320,772
Balance With NRB		254,304	496,654	480,866	929,808
Bank Balance With Banks		67,775	382,726	181,684	645,395
Money At call		369,776	915,050	749,332	492,750
Investment		703,081	1,727,036	2,415,874	2,648,191
Loan and Advances		2,727,703	7,635,757	11,107,422	11,639,021
Fixed Assets		61,058	167,870	242,789	206,230
Non- Banking Assets		**-**	**-**	**-**	**0**
Other Assets		36,187	81,897	96,840	817,402
Total Assets		**4,293,034**	**11,643,508**	**15,543,572**	**17,699,569**
Interest Income		190,517	584,258	1,370,272	1,859,543
Interest Expenses		127,236	378,200	870,269	1,239,699
Net Interest Income		**63,281**	**206,057**	**500,003**	**619,844**
Commission and discount		1,725	7,819	17,648	16,787
Other Operating Income		11,127	61,301	80,674	62,625
Exchange Income		2,663	10,904	27,164	30,854
Total Operating Income		**78,796**	**286,081**	**625,489**	**730,110**
Employees Expenses		18,800	53,665	101,919	122,803
Other Operating Expenses		25,279	87,832	151,764	166,733
Exchange Loss		0			0
Operating Profit Before Provision		**34,717**	**144,585**	**371,806**	**440,574**
Provisions for possible losses		27,553	49,785	45,190	111,616
Operating Profit		**7,164**	**94,800**	**326,616**	**328,958**
Non-Operating Income/ Expenses		-	1,833		1,126
Return From Loan Loss Provision		-	-		0
Profit From Ordinary activities		**7,164**	**96,633**	**326,616**	**330,084**
Extra ordinary Income /Expenses		-	-	-	0
Net Profit including all activities		**7,164**	**96,633**	**326,616**	**330,084**
Provision For Staff Bonus		651	8,785	29,692	30,008
Provision For Income Tax		2,051	26,354	89,021	90,195
-This Year		-	26,690	-	
-Up to Last Year		-	(335)	-	
Net Profit / Loss		**4,462**	**61,494**	**207,903**	**209,881**
Financial Indicators					
Core Capital to Risk Weighted Assets		21.24%	11.06%	12.66%	15.20%
Capital Fund to Risk Weighted Assets		22.08%	11.91%	13.06%	16.11%
Non-Performing Loan to Total Loan		0	0.01%	0.27%	1.40%
Weighted Average Interest Spread		2.85%	4.10%	3.68%	2.52%
Net Interest Income (Rs. in thousand)		63,281	206,057	500,003	619,844
Return on Assets		0.21%	0.77%	1.53%	1.26%
Credit to Deposit		90.19%	86.90%	89.00%	85.10%
Liquid Assets to Total Assets		20.51%	19.31%	19.25%	25.56%
Liquid Assets to Total Deposit		28.82%	25.34%	23.98%	33.07%

23. Sunrise Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital		700,000	1,337,500	1,510,350	2,015,000
Reserves and Surplus		(27,209)	57,570	135,014	131,061
Debenture & Bond		-	-	-	
Borrowing		487,873	365,614	150,000	
Deposit		4,226,272	12,012,618	14,767,030	13,391,714
Bills Payable		9,124	20,921	8,736	2,700
Proposed & Payable dividend		-	-	125,000	80,600
Tax Liabilities		-	-	3,632	
Other Liabilities		47,108	2,963,028	219,175	229,383
Total Liabilities		**5,443,168**	**16,757,251**	**16,918,937**	**15,850,458**
Cash Balance		34,933	316,399	395,427	587,478
Balance With NRB		244,532	3,950,334	974,460	890,020
Bank Balance With Banks		70,539	475,397	114,096	426,945
Money At call		15,570	674,150	126,090	323,897
Investment		595,009	1,910,210	2,465,338	1,103,343
Loan and Advances		3,995,604	8,953,332	12,045,228	11,910,059
Fixed Assets		106,149	272,931	365,088	371,731
Non- Banking Assets		-	-	-	
Other Assets		80,832	204,499	433,210	236,985
Total Assets		**5,143,168**	**16,757,251**	**16,918,937**	**15,850,458**
Interest Income		174,204	774,066	1,546,891	1,918,745
Interest Expenses		101,339	510,001	962,288	1,221,699
Net Interest Income		**72,865**	**264,065**	**584,603**	**697,046**
Commission and discount		20,468	58,628	81,651	50,759
Other Operating Income		709	3,214	8,854	45,995
Exchange Income		10,909	35,583	42,783	34,035
Total Operating Income		**104,951**	**361,490**	**717,891**	**827,836**
Employees Expenses		31,130	75,474	124,094	140,682
Other Operating Expenses		51,847	121,822	199,803	240,267
Exchange Loss		-	-	-	
Operating Profit Before Provision		**21,974**	**164,194**	**393,994**	**446,887**
Provisions for possible losses		62,100	57,497	83,093	372,358
Operating Profit		**(40,126)**	**106,697**	**310,901**	**74,529**
Non-Operating Income/ Expenses		-	4,211	74	11,494
Return From Loan Loss Provision		-	21,523	1,181	233
Profit From Ordinary activities		**(40,126)**	**132,432**	**312,156**	**86,256**
Extra ordinary Income /Expenses		-	-	-	0
Net Profit including all activities		**(40,126)**	**132,432**	**312,156**	**86,256**
Provision For Staff Bonus		-	12,039	28,377	7,841
Provision For Income Tax		(12,917)	35,613	79,428	34,175
-This Year		-	-	-	30,777
-Up to Last Year		-	-	-	1,969
Deferred Tax					1,429
Net Profit / Loss		**(27,209)**	**84,779**	**204,351**	**44,239**
Financial Indicators					
Core Capital to Risk Weighted Assets		13.92%	11.88%	10.47%	12.55%
Capital Fund to Risk Weighted Assets		14.78%	12.66%	11.37%	13.28%
Non-Performing Loan to Total Loan		-	0.0007%	1.04%	0.0351%
Weighted Average Interest Spread		2.88%	3.65%	4.92%	3.83%
Net Interest Income (Rs. in thousand)		72,865	264,065	584,603	697,046
Return on Assets		-0.50%	0.51%	1.21%	0.0028%
Credit to Deposit		94.54%	74.53%	81.57%	92.87%
Liquid Assets to Total Assets		12.67%	37.93%	18.55%	18.71%
Liquid Assets to Total Deposit		15.42%	52.91%	21.26%	22.15%

24. DCBL Bank Limited

(Rs. '000')

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	268,800	1,107,456	1,655,289	1,920,911	2,000,000
Reserves and Surplus	78,696	115,505	214,205	112,058	117,884
Debenture & Bond	-	-	-	-	
Borrowing	50,000	350,995	290,000	-	1,070,000
Deposit	2,539,702	2,913,337	6,613,359	8,065,183	9,322,535
Bills Payable	813	241,028	22,500	2,650	875
Proposed & Payable dividend	4,451	1,499	5,601	9,191	4,162
Tax Liabilities	-	-	-	-	
Other Liabilities	26,803	40,404	57,685	69,405	60,217
Total Liabilities	**2,969,265**	**4,770,224**	**8,858,639**	**10,179,398**	**12,575,673**
Cash Balance	15,831	33,272	87,949	135,515	516,203
Balance With NRB	129,546	153,024	551,213	274,339	514,100
Bank Balance With Banks	8,233	39,501	76,597	206,630	305,866
Money At call	268,440	663,063	1,021,576	935,615	
Investment	42,615	68,571	497,813	882,973	1,960,260
Loan and Advances	2,329,207	3,608,620	6,353,976	7,401,715	8,797,730
Fixed Assets	137,524	172,440	220,448	248,677	322,025
Non- Banking Assets	13,136	-	-	-	
Other Assets	24,733	31,733	49,067	93,934	159,489
Total Assets	**2,969,265**	**4,770,224**	**8,858,639**	**10,179,398**	**12,575,673**
Interest Income	255,936	308,678	587,877	930,032	1,316,982
Interest Expenses	131,248	151,131	347,983	598,033	949,934
Net Interest Income	**124,688**	**157,547**	**239,894**	**331,999**	**367,048**
Commission and discount	3,833	5,136	9,811	16,069	14,654
Other Operating Income	7,007	12,576	30,852	29,023	31,214
Exchange Income	375	5,157	14,913	10,441	8,553
Total Operating Income	**135,903**	**180,416**	**295,470**	**387,532**	**421,469**
Employees Expenses	29,430	43,699	52,752	65,649	87,616
Other Operating Expenses	23,109	27,904	39,466	50,592	90,024
Exchange Loss	-	-	-	-	
Operating Profit Before Provision	**83,364**	**108,813**	**203,252**	**271,291**	**243,829**
Provisions for possible losses	9,532	30,803	38,208	21,982	101,773
Operating Profit	**73,832**	**78,010**	**165,045**	**249,309**	**142,056**
Non-Operating Income/ Expenses	71	783	-	683	
Return From Loan Loss Provision	268	4,379	-	-	0
Profit From Ordinary activities	**74,171**	**83,172**	**165,045**	**249,992**	**142,056**
Extra ordinary Income /Expenses	-	3,250	-	2,219	
Net Profit including all activities	**74,171**	**86,422**	**165,045**	**252,211**	**142,056**
Provision For Staff Bonus	6,742	7,857	15,004	22,928	12,914
Provision For Income Tax	22,325	23,608	46,985	70,909	40,064
-This Year	-	-	-	-	35,376
-Up to Last Year	-	-	-	-	1,242
Deferred Tax					3,446
Net Profit / Loss	**45,104**	**54,957**	**103,056**	**158,374**	**89,078**
Financial Indicators					
Core Capital to Risk Weighted Assets	12.71%	29.04%	20.27%	22.87%	20.20%
Capital Fund to Risk Weighted Assets	13.57%	29.92%	20.99%	23.73%	21.07%
Non-Performing Loan to Total Loan	2.67%	2.28%	1.59%	1.44%	1.95%
Weighted Average Interest Spread	4.88%	2.51%	2.41%	3.15%	3.40%
Net Interest Income (Rs. in thousand)	124,688	157,547	239,894	331,999	367,048
Return on Assets	1.52%	1.12%	1.15%	1.53%	0.0069%
Credit to Deposit	91.71%	123.87%	98.00%	93.56%	81.72%
Liquid Assets to Total Assets	15.15%	18.51%	24.61%	23.46%	23.46%

25. NMB Bank Limited (Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	199,541	1,000,000	1,424,641	1,651,650	2,000,000
Reserves and Surplus	84,933	213,481	167,412	159,879	211,462
Debenture & Bond	-	-	-	-	
Borrowing	937,254	278,112	313,961	380,255	497,200
Deposit	1,296,389	1,661,605	6,877,907	10,110,690	12,866,222
Bills Payable	811	24,103	5,447	9,531	2,838
Proposed & Payable dividend	63,664	8,507	7,588	150,150	180,000
Tax Liabilities	970	-	-	-	
Other Liabilities	1,837,375	5,742,084	7,059,708	764,423	190,470
Total Liabilities	**4,420,937**	**8,927,892**	**15,856,664**	**13,226,578**	**15,948,192**
Cash Balance	3,078	17,915	201,847	239,918	264,688
Balance With NRB	12,787	506,384	717,404	522,558	876,757
Bank Balance With Banks	18,402	4,926,120	6,561,098	967,358	352,443
Money At call	1,975,298	93,404	875,527	582,309	259,166
Investment	854,678	1,242,902	1,857,563	2,715,957	2,614,946
Loan and Advances	1,395,885	1,939,967	5,194,211	7,808,119	11,208,574
Fixed Assets	80,177	132,720	223,814	255,294	276,549
Non- Banking Assets	259	-	-	-	
Other Assets	80,373	68,480	225,200	135,065	95,069
Total Assets	**4,420,937**	**8,927,892**	**15,856,664**	**13,226,578**	**15,948,192**
Interest Income	237,933	251,409	402,583	866,182	1,492,385
Interest Expenses	140,253	139,095	254,261	559,544	1,053,451
Net Interest Income	**97,680**	**112,314**	**148,322**	**306,638**	**438,934**
Commission and discount	20,024	27,614	27,262	49,953	27,982
Other Operating Income	51,006	40,724	42,914	66,524	59,472
Exchange Income	-	0	9,343	23,006	47,191
Total Operating Income	**168,710**	**180,652**	**227,841**	**446,121**	**573,579**
Employees Expenses	14,212	20,123	40,274	55,958	75,614
Other Operating Expenses	13,970	32,222	76,983	108,343	136,395
Exchange Loss	-	97	-	-	
Operating Profit Before Provision	**140,528**	**128,210**	**110,585**	**281,820**	**361,570**
Provisions for possible losses	19,512	32,387	42,195	40,253	36,531
Operating Profit	**121,016**	**95,823**	**68,390**	**241,567**	**325,038**
Non-Operating Income/ Expenses	-	600	1,712	1,983	3,903
Return From Loan Loss Provision	186	22,462	27,563	4,006	25,610
Profit From Ordinary activities	**121,202**	**118,885**	**97,666**	**247,556**	**354,551**
Extra ordinary Income /Expenses	-	-	-	1,005	14,385
Net Profit including all activities	**121,202**	**118,885**	**97,666**	**248,561**	**368,936**
Provision For Staff Bonus	11,018	10,808	8,879	22,596	33,539
Provision For Income Tax	35,046	35,255	25,834	69,892	113,892
-This Year	-	-	-	-	103,396
-Up to Last Year	-	-	-	(3,797)	10,495
Net Profit / Loss	**75,138**	**72,822**	**62,953**	**159,870**	**221,505**
Financial Indicators					
Core Capital to Risk Weighted Assets	11.76%	32.66%	18.42%	17.53%	15.51%
Capital Fund to Risk Weighted Assets	13.31%	33.96%	19.03%	18.37%	16.39%
Non-Performing Loan to Total Loan	1.73%	1.52%	0.51%	0.70%	0.27%
Weighted Average Interest Spread	3.58%	2.41%	3.58%	3.19%	3.18%
Net Interest Income (Rs. in thousand)	97,680	112,314	148,322	306,638	438,934
Return on Assets	-	0.82%	0.00	1.21%	1.39%
Credit to Deposit	112.02%	120.96%	76.78%	78.44%	88.16%
Liquid Assets to Total Assets	56.25%	70.78%	59.85%	29.51%	22.83%
Liquid Assets to Total Deposit	191.82%	380.31%	137.97%	38.60%	28.30%

26. Kist Bank Limited (Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	-	-	2,000,000	2,000,000	2,000,000
Reserves and Surplus	-	-	45,119	89,257	143,334
Debenture & Bond	-	-	-	-	
Borrowing	-	-	130,000	600,000	910,043
Deposit	-	-	8,684,078	15,962,631	15,808,486
Bills Payable	-	-	16,011	9,030	1,343
Proposed & Payable dividend	-	-	77,118	100,000	
Tax Liabilities	-	-	3,357	7,674	
Other Liabilities	-	-	195,856	178,626	152,047
Total Liabilities	-	-	**11,151,537**	**18,947,218**	**19,015,253**
Cash Balance	-	-	383,620	563,286	762,965
Balance With NRB	-	-	638,941	1,027,274	1,152,429
Bank Balance With Banks	-	-	205,598	84,769	72,957
Money At call	-	-	1,184,504	1,366,279	413,058
Investment	-	-	1,085,100	2,057,666	1,874,110
Loan and Advances	-	-	6,803,439	12,345,845	13,042,567
Fixed Assets	-	-	714,439	1,149,484	1,225,108
Non- Banking Assets	-	-	-	-	
Other Assets	-	-	135,895	352,615	472,059
Total Assets	-	-	**11,151,537**	**18,947,218**	**19,015,253**
Interest Income	-	-	594,757	1,517,073	1,994,330
Interest Expenses	-	-	338,979	967,324	1,302,975
Net Interest Income	-	-	**255,778**	**549,749**	**691,355**
Commission and discount	-	-	4,326	16,766	68,038
Other Operating Income	-	-	63,617	86,607	80,706
Exchange Income	-	-	44	2,789	7,669
Total Operating Income	-	-	**323,766**	**655,911**	**847,768**
Employees Expenses	-	-	42,550	142,974	193,639
Other Operating Expenses	-	-	97,769	236,496	291,212
Exchange Loss	-	-	-	-	
Operating Profit Before Provision	-	-	**183,447**	**276,441**	**362,917**
Provisions for possible losses	-	-	46,584	58,890	273,205
Operating Profit	-	-	**136,863**	**217,551**	**89,712**
Non-Operating Income/ Expenses	-	-	505	2,405	3,596
Return From Loan Loss Provision	-	-	-	-	
Profit From Ordinary activities	-	-	**137,368**	**219,956**	**93,308**
Extra ordinary Income /Expenses	-	-	-	-	
Net Profit including all activities	-	-	**137,368**	**219,956**	**93,308**
Provision For Staff Bonus	-	-	12,488	19,996	8,483
Provision For Income Tax	-	-	35,217	55,822	30,748
-This Year	-	-	-	-	34,182
-Up to Last Year	-	-	-	-	(265)
Deferred Tax	-	-			(3,169)
Net Profit / Loss	-	-	**89,663**	**144,138**	**54,077**
Financial Indicators	-	-			
Core Capital to Risk Weighted Assets	-	-	20.27%	13.14%	12.70%
Capital Fund to Risk Weighted Assets	-	-	20.96%	13.95%	13.49%
Non-Performing Loan to Total Loan	-	-	0.22%	0.19%	2.54%
Weighted Average Interest Spread	-	-	4.62%	3.69%	4.19%
Net Interest Income (Rs. in thousand)	-	-	255,778	549,749	691,355
Return on Assets	-	-	0.80%	0.76%	0.28%
Credit to Deposit	-	-	79.31%	78.22%	85.00%
Liquid Assets to Total Assets	-	-	25.89%	24.74%	22.07%
Liquid Assets to Total Deposit	-	-	33.25%	29.37%	26.55%

27. Janata Bank Nepal Limited

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	-	-	-	1,400,000	1,400,000
Reserves and Surplus	-	-	-	46,166	76,875
Debenture & Bond	-	-	-	-	0
Borrowing	-	-	-	-	91,054
Deposit	-	-	-	855,362	3,501,603
Bills Payable	-	-	-	10,099	2,388
Proposed & Payable dividend	-	-	-	-	0
Tax Liabilities	-	-	-	1,995	2,084
Other Liabilities	-	-	-	24,247	36,322
Total Liabilities	-	-	-	**2,337,869**	**5,110,326**
Cash Balance	-	-	-	15,246	131,094
Balance With NRB	-	-	-	31,418	133,536
Bank Balance With Banks	-	-	-	1,226,227	78,399
Money At call	-	-	-	150,176	410,000
Investment	-	-	-	75,000	542,029
Loan and Advances	-	-	-	602,247	3,541,267
Fixed Assets	-	-	-	90,688	123,609
Non- Banking Assets	-	-	-	-	0
Other Assets	-	-	-	146,867	150,392
Total Assets	-	-	-	**2,337,869**	**5,110,326**
Interest Income	-	-	-	47,042	393,213
Interest Expenses	-	-	-	4,590	196,818
Net Interest Income	-	-	-	**42,452**	**196,395**
Commission and discount	-	-	-	490	7,367
Other Operating Income	-	-	-	5,208	23,546
Exchange Income	-	-	-	59	3,573
Total Operating Income	-	-	-	**48,209**	**230,881**
Employees Expenses	-	-	-	10,417	53,677
Other Operating Expenses	-	-	-	16,420	87,785
Exchange Loss	-	-	-	-	0
Operating Profit Before Provision	-	-	-	**21,372**	**89,419**
Provisions for possible losses	-	-	-	6,083	36,960
Operating Profit	-	-	-	**15,289**	**52,459**
Non-Operating Income/ Expenses	-	-	-	-	67
Return From Loan Loss Provision	-	-	-	-	0
Profit From Ordinary activities	-	-	-	**15,289**	**52,526**
Extra ordinary Income /Expenses	-	-	-	-	0
Net Profit including all activities	-	-	-	**15,289**	**52,526**
Provision For Staff Bonus	-	-	-	1,390	4,775
Provision For Income Tax	-	-	-	4,268	17,043
-This Year	-	-	-		
-Up to Last Year	-	-	-		
Net Profit / Loss	-	-	-	**9,631**	**30,708**
Financial Indicators	-	-	-		
Core Capital to Risk Weighted Assets	-	-	-	69.29%	34.84%
Capital Fund to Risk Weighted Assets	-	-	-	0.00%	35.69%
Non-Performing Loan to Total Loan	-	-	-	0.00%	0.00%
Weighted Average Interest Spread	-	-	-	3.24%	2.48%
Net Interest Income (Rs. in thousand)	-	-	-	42,452	196,395
Return on Assets	-	-	-	0.41%	0.60%
Credit to Deposit	-	-	-	70.00%	101.00%
Liquid Assets to Total Assets	-	-	-	64.08%	23.95%
Liquid Assets to Total Deposit	-	-	-	175.14%	34.96%

28. Mega Bank Limited

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	-	-	-	-	1,631,000
Reserves and Surplus	-	-	-	-	80,798
Debenture & Bond	-	-	-	-	
Borrowing	-	-	-	-	114,752
Deposit	-	-	-	-	5,373,493
Bills Payable	-	-	-	-	2,171
Proposed & Payable dividend	-	-	-	-	
Tax Liabilities	-	-	-	-	180
Other Liabilities	-	-	-	-	39,335
Total Liabilities	-	-	-	-	**7,241,729**
Cash Balance	-	-	-	-	159,914
Balance With NRB	-	-	-	-	271,482
Bank Balance With Banks	-	-	-	-	58,550
Money At call	-	-	-	-	599,000
Investment	-	-	-	-	990,169
Loan and Advances	-	-	-	-	4,768,297
Fixed Assets	-	-	-	-	255,553
Non- Banking Assets	-	-	-	-	
Other Assets	-	-	-	-	138,763
Total Assets	-	-	-	-	**7,241,729**
Interest Income	-	-	-	-	544,215
Interest Expenses	-	-	-	-	300,760
Net Interest Income	-	-	-	-	**243,455**
Commission and discount	-	-	-	-	6,609
Other Operating Income	-	-	-	-	27,380
Exchange Income	-	-	-	-	7,457
Total Operating Income	-	-	-	-	**284,902**
Employees Expenses	-	-	-	-	81,386
Other Operating Expenses	-	-	-	-	117,128
Exchange Loss	-	-	-	-	
Operating Profit Before Provision	-	-	-	-	**86,387**
Provisions for possible losses	-	-	-	-	48,165
Operating Profit	-	-	-	-	**38,222**
Non-Operating Income/ Expenses	-	-	-	-	0
Return From Loan Loss Provision	-	-	-	-	0
Profit From Ordinary activities	-	-	-	-	**38,222**
Extra ordinary Income /Expenses	-	-	-	-	0
Net Profit including all activities	-	-	-	-	**38,222**
Provision For Staff Bonus	-	-	-	-	3,475
Provision For Income Tax	-	-	-	-	10,424
-This Year	-	-	-	-	9,172
-Up to Last Year	-	-	-	-	
Deferred tax	-	-	-	-	1,253
Net Profit / Loss	-	-	-	-	**24,323**
Financial Indicators					
Core Capital to Risk Weighted Assets	-	-	-	-	18.83%
Capital Fund to Risk Weighted Assets	-	-	-	-	19.36%
Non-Performing Loan to Total Loan	-	-	-	-	
Weighted Average Interest Spread	-	-	-	-	2.84%
Net Interest Income (Rs. in thousand)	-	-	-	-	243,455
Return on Assets	-	-	-	-	0.51%
Credit to Deposit	-	-	-	-	89.63%
Liquid Assets to Total Assets	-	-	-	-	22.74%
Liquid Assets to Total Deposit	-	-	-	-	30.65%

29. Commerz and Trust Bank Nepal Limited (Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	-	-	-	-	1,400,000
Reserves and Surplus	-	-	-	-	23,333
Debenture & Bond	-	-	-	-	
Borrowing	-	-	-	-	190,307
Deposit	-	-	-	-	2,487,864
Bills Payable	-	-	-	-	
Proposed & Payable dividend	-	-	-	-	
Tax Liabilities	-	-	-	-	4,188
Other Liabilities	-	-	-	-	57,646
Total Liabilities					**4,163,338**
Cash Balance	-	-	-	-	61,492
Balance With NRB	-	-	-	-	93,642
Bank Balance With Banks	-	-	-	-	80,850
Money At call	-	-	-	-	558,268
Investment	-	-	-	-	700,857
Loan and Advances	-	-	-	-	2,466,373
Fixed Assets	-	-	-	-	120,012
Non- Banking Assets	-	-	-	-	
Other Assets	-	-	-	-	81,844
Total Assets					**4,163,338**
Interest Income	-	-	-	-	270,699
Interest Expenses	-	-	-	-	138,311
Net Interest Income					**132,388**
Commission and discount	-	-	-	-	4,524
Other Operating Income	-	-	-	-	12,325
Exchange Income	-	-	-	-	1,835
Total Operating Income					**151,072**
Employees Expenses	-	-	-	-	34,025
Other Operating Expenses	-	-	-	-	53,014
Exchange Loss	-	-	-	-	
Operating Profit Before Provision					**64,033**
Provisions for possible losses	-	-	-	-	27,613
Operating Profit					**36,420**
Non-Operating Income/ Expenses	-	-	-	-	
Return From Loan Loss Provision	-	-	-	-	
Profit From Ordinary activities					**36,420**
Extra ordinary Income /Expenses	-	-	-	-	0
Net Profit including all activities					**36,420**
Provision For Staff Bonus	-	-	-	-	3,311
Provision For Income Tax	-	-	-	-	
-This Year	-	-	-	-	12,688
-Up to Last Year	-	-	-	-	
Deferred Tax	-	-	-	-	(2,347)
Net Profit / Loss	-	-	-	-	**22,768**
Financial Indicators					
Core Capital to Risk Weighted Assets	-	-	-	-	26.80%
Capital Fund to Risk Weighted Assets	-	-	-	-	27.28%
Non-Performing Loan to Total Loan	-	-	-	-	0.00%
Weighted Average Interest Spread	-	-	-	-	3.00%
Net Interest Income (Rs. in thousand)	-	-	-	-	132,388
Return on Assets	-	-	-	-	0.55%
Credit to Deposit	-	-	-	-	100.14%
Liquid Assets to Total Assets	-	-	-	-	19.08%

30. Civil Bank Ltd. (Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	-	-	-	-	1,200,000
Reserves and Surplus	-	-	-	-	4,600
Debenture & Bond	-	-	-	-	
Borrowing	-	-	-	-	220,754
Deposit	-	-	-	-	2,952,327
Bills Payable	-	-	-	-	1,154
Proposed & Payable dividend	-	-	-	-	
Tax Liabilities	-	-	-	-	
Other Liabilities	-	-	-	-	31,838
Total Liabilities					**4,410,673**
Cash Balance	-	-	-	-	50,098
Balance With NRB	-	-	-	-	227,958
Bank Balance With Banks	-	-	-	-	249,266
Money At call	-	-	-	-	283,917
Investment	-	-	-	-	258,842
Loan and Advances	-	-	-	-	3,123,607
Fixed Assets	-	-	-	-	181,033
Non- Banking Assets	-	-	-	-	
Other Assets	-	-	-	-	35,952
Total Assets					**4,410,673**
Interest Income	-	-	-	-	195,968
Interest Expenses	-	-	-	-	97,225
Net Interest Income	-	-	-	-	**98,743**
Commission and discount	-	-	-	-	8,798
Other Operating Income	-	-	-	-	12,803
Exchange Income	-	-	-	-	4,092
Total Operating Income				-	**124,436**
Employees Expenses	-	-	-	-	42,642
Other Operating Expenses	-	-	-	-	48,413
Exchange Loss	-	-	-	-	
Operating Profit Before Provision				-	**33,381**
Provisions for possible losses	-	-	-	-	31,551
Operating Profit				-	**1,830**
Non-Operating Income/ Expenses	-	-	-	-	0
Return From Loan Loss Provision	-	-	-	-	0
Profit From Ordinary activities	-	-	-	-	**1,830**
Extra ordinary Income /Expenses	-	-	-	-	0
Net Profit including all activities	-	-	-	-	**1,830**
Provision For Staff Bonus	-	-	-	-	166
Provision For Income Tax	-	-	-	-	499
-This Year	-	-	-	-	(1,472)
-Up to Last Year	-	-	-	-	
Deferred tax	-	-	-	-	1,971
Net Profit / Loss	-	-	-	-	**1,165**
Financial Indicators	-	-	-	-	
Core Capital to Risk Weighted Assets	-	-	-	-	20.77%
Capital Fund to Risk Weighted Assets	-	-	-	-	21.32%
Non-Performing Loan to Total Loan	-	-	-	-	
Weighted Average Interest Spread	-	-	-	-	2.50%
Net Interest Income (Rs. in thousand)	-	-	-	-	98,743
Return on Assets	-	-	-	-	0.0003%
Credit to Deposit	-	-	-	-	106.87%
Liquid Assets to Total Assets	-	-	-	-	23.86%
Liquid Assets to Total Deposit	-	-	-	-	-

31. Century Bank Limited (Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	-	-	-	-	1,080,000
Reserves and Surplus	-	-	-	-	43,104
Debenture & Bond	-	-	-	-	
Borrowing	-	-	-	-	58,361
Deposit	-	-	-	-	1,358,878
Bills Payable	-	-	-	-	
Proposed & Payable dividend	-	-	-	-	
Tax Liabilities	-	-	-	-	19,874
Other Liabilities	-	-	-	-	60,087
Total Liabilities					**2,620,304**
Cash Balance	-	-	-	-	78,170
Balance With NRB	-	-	-	-	
Bank Balance With Banks	-	-	-	-	
Money At call	-	-	-	-	579,000
Investment	-	-	-	-	612,040
Loan and Advances	-	-	-	-	1,175,447
Fixed Assets	-	-	-	-	94,097
Non- Banking Assets	-	-	-	-	
Other Assets	-	-	-	-	81,550
Total Assets	-	-	-	-	**2,620,304**
Interest Income	-	-	-	-	65,675
Interest Expenses	-	-	-	-	23,214
Net Interest Income	-	-	-	-	**42,461**
Commission and discount	-	-	-	-	537
Other Operating Income	-	-	-	-	9,993
Exchange Income	-	-	-	-	141
Total Operating Income	-	-	-	-	**53,132**
Employees Expenses	-	-	-	-	11,591
Other Operating Expenses	-	-	-	-	18,891
Exchange Loss	-	-	-	-	
Operating Profit Before Provision	-	-	-	-	**22,650**
Provisions for possible losses	-	-	-	-	11,873
Operating Profit	-	-	-	-	**10,777**
Non-Operating Income/ Expenses	-	-	-	-	24,044
Return From Loan Loss Provision	-	-	-	-	
Profit From Ordinary activities	-	-	-	-	**34,821**
Extra ordinary Income /Expenses	-	-	-	-	0
Net Profit including all activities	-	-	-	-	**34,821**
Provision For Staff Bonus	-	-	-	-	3,165
Provision For Income Tax	-	-	-	-	9,496
-This Year	-	-	-	-	
-Up to Last Year	-	-	-	-	
Net Profit / Loss	-	-	-	-	**22,160**
Financial Indicators	-	-	-	-	
Core Capital to Risk Weighted Assets	-	-	-	-	42.08%
Capital Fund to Risk Weighted Assets	-	-	-	-	41.64%
Non-Performing Loan to Total Loan	-	-	-	-	
Weighted Average Interest Spread	-	-	-	-	3.12%
Net Interest Income (Rs. in thousand)	-	-	-	-	42,461
Return on Assets	-	-	-	-	1.09%
Credit to Deposit	-	-	-	-	87.37%
Liquid Assets to Total Assets	-	-	-	-	25.08%
Liquid Assets to Total Deposit	-	-	-	-	48.36%

Consolidated Financials of the Public Banks (2010/11)

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	9,080,683	12,330,183	12,330,183	10,990,200	11,026,983
Reserves and Surplus	(31,274,60)8)	(28,463,151)	(18,820,214)	(13,591,576)	(10,247,300)
Debenture & Bond	-	-	-	2,300,000	2,300,000
Borrowing	4,198,418	4,594,471	6,042,523	6,424,453	6,898,914
Deposit	121,894,690	138,724,169	148,514,769	143,225,629	155,122,912
Bills Payable	124,433	120,522	80,621	78,460	0
Proposed & Payable dividend	49,303	57,157	341,025	364,687	276,000
Tax Liabilities	284,744	2,148,912	597,719	1,101,706	1,321,153
Other Liabilities	19,200,987	16,679,077	19,005,570	30,298,231	26,447,887
Total Liabilities	**123,558,650**	**139,045,115**	**168,092,196**	**181,191,790**	**193,146,549**
Cash Balance	3,733,381	10,727,750	4,943,703	4,615,081	19,326,365
Balance With NRB	10,934,619	6,237,372	17,750,265	17,374,248	2,553,275
Bank Balance With Banks	1,942,149	1,916,591	3,456,772	3,728,125	674,585
Money At call	381,599	599,995	2,644,198	1,611,342	510,539
Investment	31,899,837	35,771,230	33,709,641	23,345,347	30,258,938
Loan and Advances	55,639,542	65,044,378	76,405,926	87,677,826	98,035,906
Fixed Assets	1,434,141	1,454,230	1,504,935	2,187,450	2,277,897
Non- Banking Assets	110,137	51,453	23,317	634,377	526,078
Other Assets	17,483,245	17,242,116	27,653,440	40,017,994	38,982,966
Total Assets	**123,558,650**	**139,045,115**	**168,092,196**	**181,191,790**	**193,146,549**
Interest Income	8,828,648	8,764,801	10,365,389	12,537,567	14,864,265
Interest Expenses	3,321,262	3,439,450	3,016,560	3,659,377	5,997,993
Net Interest Income	**5,507,386**	**5,325,351**	**7,348,829**	**8,878,190**	**8,866,272**
Commission and discount	574,398	731,481	940,711	930,688	938,415
Other Operating Income	642,930	665,178	734,564	496,074	651,366
Exchange Income	-	131,362	143,403	76,815	(14,433)
Total Operating Income	**6,724,714**	**6,853,372**	**9,167,507**	**10,381,767**	**10,441,620**
Employees Expenses	3,221,071	4,071,613	5,516,293	6,875,205	5,697,213
Other Operating Expenses	893,853	876,896	991,022	1,002,668	1,248,635
Exchange Loss	73,273	30,484	-	18,643	1,268
Operating Profit Before Provision	**2,536,517**	**1,874,379**	**2,660,192**	**2,485,251**	**3,494,504**
Provisions for possible losses	805,081	3,361,590	3,000,045	2,924,380	2,959,882
Operating Profit	**1,731,436**	**(1,487,211)**	**(339,853)**	**(439,129)**	534,622
Non-Operating Income/ Expenses	89,142	100,150	753,402	117,212	237,497
Return From Loan Loss Provision	3,027,818	5,333,130	3,390,263	4,419,864	2,997,181
Profit From Ordinary activities	4,848,396	3,946,069	3,803,811	**4,097,947**	**3,769,300**
Extra ordinary Income /Expenses	(1,561,970)	(880,148)	1,410,249	878,973	772,806
Net Profit including all activities	**3,286,426**	**3,065,921**	**5,214,060**	4,976,920	4,542,106
Provision For Staff Bonus	247,642	232,929	403,811	336,749	345,019
Provision For Income Tax	136,473	155,767	934,713	308,499	458,457
-This Year	-	0	0	0	379,232
-Up to Last Year	-	0	0	0	0
Net Profit / Loss	**2,902,311**	**2,677,225**	**3,875,536**	**4,331,672**	**4,527,926**

Consolidated Financials of the Private Banks (2010/11)

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	11,404,669	19,099,758	29,059,364	39,937,758	49,456,184
Reserves and Surplus	2,844,731	6,415,176	11,610,367	13,191,394	16,393,432
Debenture & Bond	2,060,000	3,450,000	3,727,770	3,727,770	3,727,770
Borrowing	6,930,846	6,837,855	8,708,588	7,232,482	11,905,910
Deposit	219,284,231	294,047,480	415,628,591	487,607,044	532,443,618
Bills Payable	491,248	1,295,848	1,742,759	1,355,065	1,115,300
Proposed & Payable dividend	1,406,155	1,534,834	2,094,286	4,234,081	4,848,572
Tax Liabilities	88,374	147,431	196,302	136,065	158,235
Other Liabilities	6,720,779	11,016,644	16,815,944	8,518,674	11,937,146
Total Liabilities	**251,231,033**	**343,845,026**	**489,583,973**	**565,940,333**	**631,986,166**
Cash Balance	4,567,495	8,610,596	10,888,577	12,959,750	18,671,735
Balance With NRB	11,810,739	15,125,411	36,626,258	33,892,294	30,544,306
Bank Balance With Banks	2,845,142	9,793,666	14,048,720	14,493,660	11,504,090
Money At call	9,143,662	9,228,330	11,180,177	13,359,683	14,620,570
Investment	63,965,819	73,451,958	97,065,232	112,833,164	118,725,423
Loan and Advances	150,789,824	216,328,416	303,811,779	360,143,093	415,286,988
Fixed Assets	3,757,862	5,555,950	7,956,018	9,972,252	11,322,086
Non- Banking Assets	284,900	148,137	279,893	0	0
Other Assets	4,065,590	5,602,562	7,727,321	8,286,437	11,310,969
Total Assets	**251,231,033**	343,845,026	**489,583,974**	**565,940,333**	**631,986,166**
Interest Income	14,819,624	19,252,039	29,239,474	44,139,221	59,514,085
Interest Expenses	6,765,100	8,842,101	14,797,835	24,935,707	36,800,200
Net Interest Income	**8,054,524**	**10,409,938**	**14,441,639**	19,203,514	**22,713,886**
Commission and discount	1,312,605	1,601,282	2,024,320	2,388,312	2,547,227
Other Operating Income	698,881	963,902	1,420,649	1,743,003	1,913,750
Exchange Income	1,161,530	1,492,469	1,980,648	1,908,363	1,852,120
Total Operating Income	**11,227,540**	**14,467,591**	**19,867,256**	25,243,192	**29,296,411**
Employees Expenses	1,623,572	2,134,394	2,807,115	3,592,285	4,737,093
Other Operating Expenses	2,170,689	2,726,874	3,824,846	4,972,062	6,167,408
Exchange Loss	1,893	97	0	0	0
Operating Profit Before Provision	**7,431,386**	**9,606,226**	**13,235,294**	**16,678,845**	**18,391,910**
Provisions for possible losses	2,781,528	1,918,573	1,751,006	2,844,219	3,577,872
Operating Profit	**4,649,858**	**7,687,653**	**11,484,288**	13,834,626	**14,814,036**
Non-Operating Income/ Expenses	39,598	114,769	67,774	204,830	254,606
Return From Loan Loss Provision	1,297,889	3,139,802	3,192,402	2,696,174	2,365,508
Profit From Ordinary activities	5,987,345	10,942,224	14,744,465	16,735,630	**17,434,151**
Extra ordinary Income /Expenses	(546,018)	(1,034,521)	(212,479)	(728,436)	(883,915)
Net Profit including all activities	**5,441,327**	**9,907,703**	**14,531,985**	16,007,194	**16,550,236**
Provision For Staff Bonus	585,989	904,346	1,321,092	1,455,261	1,416,090
Provision For Income Tax	2,035,259	2,606,669	3,373,574	4,181,524	3,740,756
-This Year	-	-	26,690	0	1,969,813
-Up to Last Year	-	-	(335)	(3,797)	43,717
Net Profit / Loss	**2,820,079**	**6,396,688**	**9,837,319**	**10,374,206**	**10,505,330**

Consolidated Financials of the Banking Industry (2010/11)

(Rs. 000)

Capital and Liabilities	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Capital	20,485,352	31,429,941	41,389,547	50927958	60483167
Reserves and Surplus	(28,429,877)	(22,047,975)	(7,209,847)	(400182)	6146132
Debenture & Bond	2,060,000	3,450,000	3,727,770	6027770	6027770
Borrowing	11,129,264	11,432,326	14,751,112	13656935	18804824
Deposit	341,178,921	432,771,649	564,143,360	630832673	687566530
Bills Payable	615,681	1,416,370	1,823,380	1433525	1115300
Proposed & Payable dividend	1,455,458	1,591,991	2,435,311	4598768	5124572
Tax Liabilities	373,118	2,296,343	794,021	1237771	1479388
Other Liabilities	25,921,766	22,333,166	35,821,514	38816905	38385033
Total Liabilities	**374,789,683**	**482,890,141**	**657,676,169**	**747132123**	**825132715**
Cash Balance	8,300,876	19,338,346	15,832,280	17574831	37998100
Balance With NRB	22,745,358	21,362,783	54,376,523	51266542	33097581
Bank Balance With Banks	4,787,291	11,710,257	17,505,491	18221785	12178675
Money At call	9,525,261	9,828,325	13,824,374	14971025	15131109
Investment	95,865,656	108,923,188	130,774,873	136178511	148984361
Loan and Advances	206,429,366	281,372,794	380,217,705	447820919	513322894
Fixed Assets	5,192,003	7,010,180	9,460,952	12159702	13599983
Non- Banking Assets	395,037.00	330,838	303,210	634377	526078
Other Assets	21,548,835	22,844,678	35,380,761	48304431	50293935
Total Assets	**374,789,683**	**482,721,389**	**657,676,170**	**747132123**	**825132715**
Interest Income	23,648,272	28,016,840	39,604,863	56676788	74378350
Interest Expenses	10,086,362	12,281,551	17,814,395	28595084	42798193
Net Interest Income	**13,561,910**	**15,735,289**	**21,790,469**	**28081704**	31580158
Commission and discount	1,887,003	2,332,763	2,965,031	3319000	3485642
Other Operating Income	1,341,811	1,629,080	2,155,213	2239077	2565116
Exchange Income	1,161,530	1,623,831	2,124,051	1985178	1837687
Total Operating Income	**17,952,254**	**21,320,963**	**29,034,763**	**35624959**	**39738031**
Employees Expenses	4,844,643	6,206,007	8,323,409	10467490	10434306
Other Operating Expenses	3,064,542	3,603,770	4,815,868	5974730	7416043
Exchange Loss	75,166	30,581	0	18643	1268
Operating Profit Before Provision	**9,967,903**	**11,480,605**	**15,895,486**	**19164096**	**21886414**
Provisions for possible losses	3,586,609	5,280,163	4,751,051	5768599	6537754
Operating Profit	**6,381,294**	**6,200,442**	**11,144,435**	**13395497**	15348658
Non-Operating Income/ Expenses	128,740	214,919	821,176	322042	492103
Return From Loan Loss Provision	4,325,707	8,472,932	6,582,665	7116038	5362689
Profit From Ordinary activities	**10,835,741**	**14,888,293**	**18,587,459**	**20833577**	21203451
Extra ordinary Income /Expenses	(2,107,98)8	(1,914,669)	1,197,770	150537	(111109)
Net Profit including all activities	**8,727,753**	**12,973,624**	**19,746,046**	**20984114**	**21092342**
Provision For Staff Bonus	833,631	1,137,275	1,724,903	1792010	1761109
Provision For Income Tax	2,171,732	2,762,436	4,308,287	4490023	4199213
-This Year	-	-	26,690	0	2349045
-Up to Last Year	-	-	(335)	(3797)	43717
et Profit / Loss	**5,722,390**	**9,073,913**	**13,712,856**	**14705878**	**15033256**

P indicates Provisional

Source: Annual Reports of all Commercial Banks