# Annual Bank Supervision Report
# 2007


***Bank Supervision Department***
***Nepal Rastra Bank,***
***Baluwatar, Kathmandu, Nepal***
***July 2008***

**NEPAL RASTRA BANK**

# BANKING SUPERVISION ANNUAL REPORT 2007

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

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# PREFACE

It is my pleasure to present before you Annual Banking Supervision Report 2007. The report catalogues the supervisory activities of the Bank Supervision Department of Nepal Rastra Bank during the fiscal year ending Mid July 2007. The report also sheds some light on the performance as well as the current issues and challenges of the banking industry of Nepal.

The performance of the banking industry during the period has been satisfactory. The overall capital base has improved, non performing assets have declined, and banks are gradually but surely expanding their networks to reach out to the people in rural areas. There has also been visible improvement in the overall risk management practices and corporate governance. Banks have realized the significance of risk management and are today more capable of assessing the risks they undertake and are equally concerned about their procedures and practices to mitigate those risks. We express this statement with some satisfaction. We are nevertheless, aware that there is no room for complacency either on our part as regulator or on part of the banks themselves. We will maintain our vigilance and will be proactive in dealing with any issues, should we foresee any on the horizon.

Looking beyond our shores, it's not a good time for banks. Many banks are suffering from a liquidity crunch from the extremes of the credit delinquencies of the past. We have to ensure that our industry is safe from such practices and shield ourselves from the effects of any such adverse situations in the international markets. This is only possible when we adopt internationally accepted and tested norms. Nepal Rastra Bank is committed to maintaining the safety and soundness of the financial system and has been continually upgrading its supervisory practices towards that effect.

Nepal Rastra Bank is on the verge of adopting capital adequacy framework based on International Convergence of Capital Measurements and Capital Standards popularly known as Basel II. The year, thus, experienced increased interaction with the banks on various facets of the Basel II framework and what it means for the Nepalese banking industry. Similarly, work is underway to migrate towards risk-based supervision, seen to be more robust and better suited to the changing financial landscape, in recognition of the narrow scope and the largely reactive nature of the current compliance-based approach of supervision.

This report, made public for the sixth year, contributes not only to enhance the policy of adequate transparency the NRB has adopted but also sets a benchmark for comparative analysis of performance of commercial banks and the industry at large.

I would like to thank Policy Planning Unit and all those involved in the publication of this report. I hope this report will serve its stipulated objectives.

**Ravindra Prasad Pandey**
**Executive Director**

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# Chapter 1: Overview of the Nepalese Banking and Financial System

## 1.1 Introduction

Financial intermediation is the main function of financial institutions and financial markets. Financial institutions need to better satisfy various financial demands of customers and enhance profitability by continually improving the ways in which they manage risks and their business operations. Through intermediary channels, funds should be efficiently channeled from depositors and investors to borrowers.

Though the function of financial intermediaries is also performed through unorganized sectors, the Nepalese organized financial sector is composed of banking sector and non-banking sector. Besides commercial banks, there are sizeable numbers of development banks, finance companies, micro-credit development banks, co-operative, NGOs and postal saving offices that undertake limited banking and near banking financial services. Non-bank financial sector comprises saving funds and trusts like Employee Provident Fund, Citizen Investment Trusts, and Mutual fund.

The growth of financial sector in Nepal is much better compared to other sectors in the country. The economic reforms initiated by the Government more than one and half decade ago have changed the landscape of several sectors of the Nepalese economy including the financial sector. Despite the decade's conflict and political insurgency, this sector has continued to grow.

Over the past 20 years, Nepal's financial sector has become deeper and the number and type of financial intermediation has grown rapidly. Within this period, the Nepalese financial sector has grown significantly both in terms of business volume as well as size of assets and market. Nepal has a reasonably diversified financial sector, as evidenced by the number and variety of institutions that play an active role in this sector, relative to Nepal's small and underdeveloped economic base.

Nepal Rastra Bank (NRB), the central bank of Nepal, established in April 26, 1956, under the NRB Act 2012 is the sole authority for licensing and supervising banks and financial institutions in Nepal. The Act has empowered Nepal Rastra Bank to grant license to banks and financial institutions as well as to monitor, inspect and supervise them. The Act also empowers NRB to undertake resolution measures in order to protect the interest of depositors. NRB has the authority even to revoke licenses incase of violation of prudential norms and relevant laws and regulations.

NRB's regulatory and supervisory regime is limited to the commercial banks, Development banks, Finance companies, Micro-credit development banks, saving and credit co-operatives and non-government organizations licensed by Nepal Rastra Bank. The following table depicts the types and number of financial institution licensed by NRB by mid-July 2007.

**Table 1: Number of Licensed Financial Institutions**

| S.N. | Type of financial Institutions | Class | Number |
|---|---|---|---|
| 1 | Commercial Banks | A | 20 |
| 2 | Development Banks | B | 38 |
| 3 | Finance Companies | C | 74 |
| 4 | Micro Credit Development Banks | D | 12 |
| 5 | Saving and Credit Co-operatives | Non-classified | 17 |
| 6 | Non-Government Organizations | Non-classified | 47 |
| | **Total** | | **208** |

***Source: Banking and Financial Statistics (Mid-July 2007, No.49)***

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

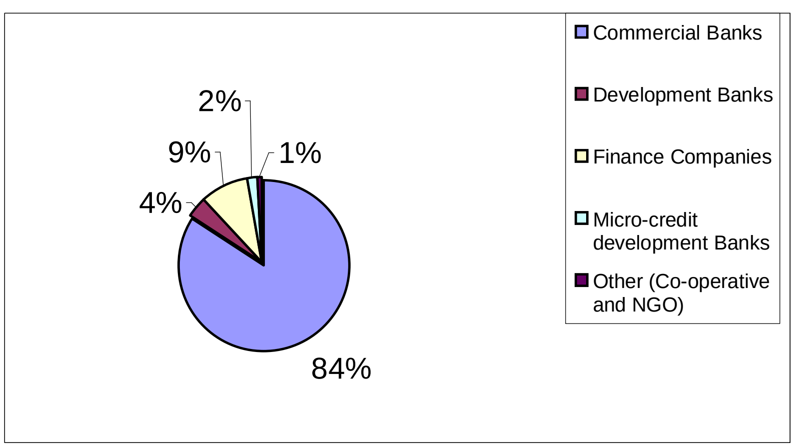
**Table 2: Share of Commercial Banks on Financial Claims**

| Bank and Financial Institutions | Total Assets (million Rupees) | Share |
|---|---|---|
| Commercial Banks | 490620.38 | 84.23 |
| Development Banks | 22658.36 | 3.89 |
| Finance Companies | 53471.39 | 9.18 |
| Micro-credit development Banks | 10309.84 | 1.77 |
| Other (Co-operative and NGO) | 5417.04 | 0.93 |
| **Total** | **582477.30** | **100** |

*Source: Banking and Financial Statistics (Mid-July 2007, No.49)*

Though Nepalese financial sector is reasonably diversified with institutional arrangement of varied nature of financial institutions, commercial banks are the major players in this system and they occupy substantial share in the structure of financial sector. The following table depicts the share of commercial banks out of total financial assets.

**Figure 1 Share of Total Assets**




In order to maintain an effective regulatory regime; NRB has three departments devoted to this task. Bank and Financial Institution Regulation department oversees the licensing and formulation of regulation of all financial institutions. Bank Supervision Department and Financial Institution Supervision Department executes the supervisory functions of commercial banks and financial institutions respectively.

## 1.2 The Banking Sector

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

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

**Table 3: List of Commercial Banks in Nepal (Mid July 2007)**

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

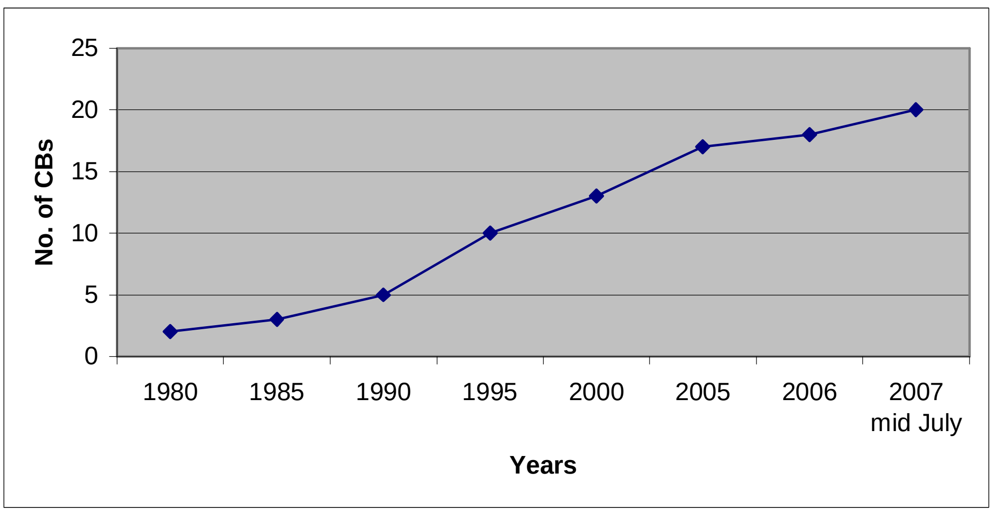
| | | | |
|---|---|---|---|
| 17 | Siddhartha Bank Limited (SBL) | 2002/12/24 | Kathmandu |
| 18 | Agriculture Development Bank* | 2006/03/16 | Kathmandu |
| 19 | Global Bank Limited | 2007/01/02 | Birgunj |
| 20 | Citizens Bank International Ltd. | 2007/06/21 | Kathmandu |

*(Source: Banking and Financial Statistics (Mid-July 2007, No.49)*

## 1.3 Growth in number of Commercial Banks

There is a significant growth in the number of banks in Nepal in the last two decades. At the beginning of the 1980s when the financial sector was not liberalized, there were only two commercial banks. During 1980s, there were only few banks. After the liberalization in the 1990s, financial sector has made a progress both in term of the number of banks and financial institutions and their branches. As on Mid July 2007, the number of commercial banks is 20 based on the applications for establishment of new banks as well as for the up-gradation of other financial institution, the number is likely to grow in the near future as well.

**Figure 2 Numbers of Commercial Banks**




## 1.4 Ownership and Control

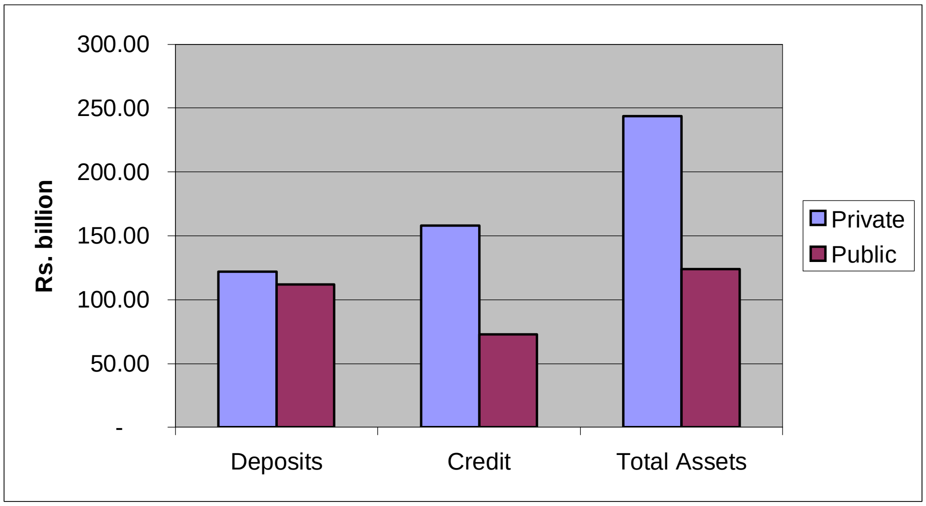
The banks in Nepal have very unique characteristics. From an ownership standpoint, the commercial banks in Nepal can be broadly classified into two categories: Public banks and private banks. The banks, which are owned or controlled by the government, are labeled as Public banks while the banks that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

In Nepal, we have 3 Public Banks and 17 Private Banks. The financial health of the public banks was very poor and thus a reform program was initiated in these banks under the Financial Sector Reform Project with the aid of the World Bank and Asian Development Bank.

Likewise, 3 of the private banks are placed under close monitoring and surveillance which are identified as weak banks.

It has only been a couple of decades since the private banks came into existence in Nepal. But, their number has far out grown the number of public banks and is still in growing trend. Though the public banks in Nepal are far outweighed by the number of private banks, these three banks are still the largest banks in all aspects from deposit and credit mobilization to the number of branches in operation.

**Figure 3 Banking Operations: Public vs. Private (Mid July 2007)**




## 1.5 Access of Banking Services and Branch Network

As of mid July 2007, there were 20 commercial banks inclusive of 3 public banks. 445 branches, of which 255 belonged to 3 public banks and 17 private sector commercial banks had 190 branches in operation.

**Table 4: Branches of Commercial Banks (Mid July 2006)**

| Name of Banks | Number of branches |
|---|---|
| Nepal Bank Limited (NBL) | 96 |
| Rastriya Banijya Bank (RBB) | 112 |
| NABIL Bank Limited (NABIL) | 18 |
| Nepal Investment Bank Limited (NIBL) | 13 |
| Standard Chartered Bank Nepal Ltd. (SCBN) | 10 |
| Himalayan Bank Limited (HBL) | 17 |
| Nepal SBI Bank Limited (NSBI) | 16 |
| Nepal Bangladesh Bank Limited (NBBL) | 17 |
| Everest Bank Limited (EBL) | 19 |
| Bank of Kathmandu Limited (BOK) | 11 |
| Nepal Credit and Commerce Bank Ltd. (NCCBL) | 17 |
| Lumbini Bank Limited (LBL) | 5 |
| Nepal Industrial & Commercial Bank Ltd. (NIC) | 9 |
| Machhapuchhre Bank Limited (MPBL) | 12 |

| | |
|---|---|
| Kumari Bank Limited (KBL) | 9 |
| Laxmi Bank Limited (LXBL) | 9 |
| Siddhartha Bank Limited (SBL) | 5 |
| Agriculture Development Bank* | 47* |
| Global Bank Ltd. | 2 |
| Citizens Bank International Ltd. | 1 |
| Total | 445 |

* Total number of branches of all banks is 552. Out of 147 branches, only 47 branches of ADB are performing commercial banking activities. (Source: Banking and Financial Statistics (Mid-July 2006, No.47)

The banks with the largest number of branches are public banks: Rastriya Banijya Bank, Nepal Bank Limited and ADB/N with 112, 96 and 47 branches respectively. Some of these banks had to close down some of their branches in the rural parts of country because of political insurgency and the law and order situation of the country. But, the number of branches of the private banks is on the rise, as their proposed branches tend to be at urban and semi-urban cities, where the situation is a lot better. However, as almost all the banks are expanding their network across the country we are most likely to see an increased number of branches in the coming year.

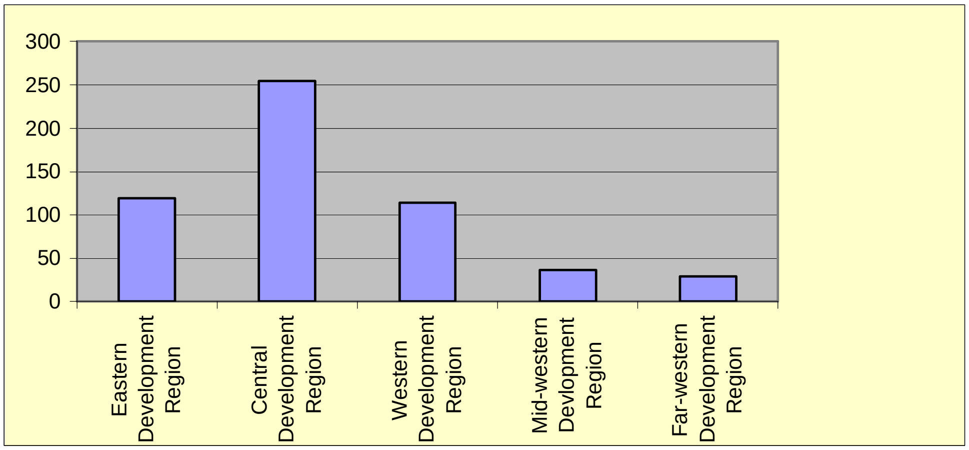
Large concentration of the branches is seen in Kathmandu. Most banks are looking to increase their number of branches in Kathmandu; as it is the major economic hub of Nepal. There are 89 bank branches in Kathmandu district itself out of a total of 452. In respect of the concentration of bank branches, other major centers include Birgunj, Biratnagar, Pokhara, Bhairahawa and Butwal.

**Table 5: Region wise distribution of Branches (Mid July 2007)**

| S. N. | Development Region | Number of bank branches |
|---|---|---|
| 1 | Eastern Development Region | 119 |
| 2 | Central Development Region | 254 |
| 3 | Western Development Region | 114 |
| 4 | Mid-western Development Region | 36 |
| 5 | Far-western Development Region | 29 |

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

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



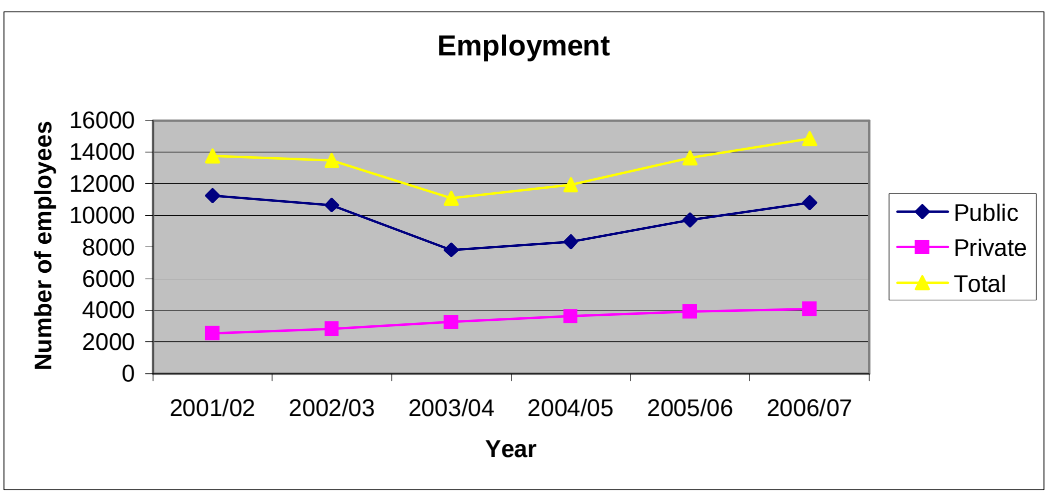

*Source: Banking and Financial Statistics (Mid-July 2007, No.49)*

## 1.6 Employment in the Banking Industry

As on Mid July 2007, the total number of employees in the banking industry is close to 15,000. The three public banks, whose system, generate the majority of the employment and processes are still based largely on the manual system. Though, these banks have reduced their staff size almost in half since Mid July 2001, under the various phases of Voluntary Retirement Schemes initiated under the reform process, they still have a sizable force. At the end of fiscal year 2006/07, the number of employees in the three public sector banks was 10,796 whereas the private sector banks had 4,251 employees.

However, the private banks, meanwhile, are steadily increasing their number of staff in direct alignment with the proliferation in the business. As a large part of their system and procedure are automated, the number of staffs employed by these banks is relatively small.

**Figure 5 Employments: Private Vs Public (Mid July 2006)**



## 1.7 Brief Review of the Banking Legislation

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

Nepal Rastra Bank is committed to strengthen and ensure the stability and soundness of the banking system. In order to achieve the role of protecting the interests of depositors, the department has crafted a number of prudential requirements to be complied with by banking institutions. The prudential requirements advised on banking institutions are designed to limit risk taking to levels that are manageable and that do not place the individual banking institution and the banking system at risk.

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

- Nepal Rastra Bank Act 2002
- Bank and Financial Institutions Act, 2006 (Umbrella Act)
- Company Act 2006
- Supervision By-laws
- Directives to commercial banks and financial institutions

NRB has continued to review the relevant legislations and regulations in 2006/07 in order to put in place up-to-date regulatory framework that meets international standards and resolves the issues of the banking industry.

# Chapter 2 Supervision Function

## 2.1 Banks and Supervision

The major function of banks is to act as financial intermediaries. They act as a repository for the savings of those who spend less than their income, and as a source of borrowed funds for those whose spending exceeds their income. In playing this role, banks facilitate real resource transfers amongst different groups of people, in accordance with their different needs and preference. Also banks play an important role in making savings available to those with productive investment opportunities. Similarly, banks are an important source of liquidity for an economy. This is inherent in the payments services provided by the banking system, insofar as deposits held for transactions' purposes must be available for transfer on demand.

A unique feature of banks is that they have a low ratio of' own' (shareholders') funds to borrowed funds (deposits). This inherent imbalance between 'own' funds and 'borrowed' funds in a bank's overall funding mix presents some potential problems. Because banks' shareholders have only a small amount of their own funds at stake, there is an underlying incentive for banks to tend toward risk taking activities with the fund of depositors and outsiders. In fact, shareholders' losses are limited to the amount of their (relatively small) investment and banks' depositors bear any remaining loss. In short, banks shareholders, in the absence of supervisory requirements and constraints, would potentially have access to large profit opportunities, but with limited downside risk to themselves.

Bank failures can disrupt the flow of credit to local communities, interfere with the operation of the payments system and reduce the money supply. These effects can be long-lasting. The past has shown that although the cost of supervision is high, the cost of poor supervision is even higher. The cost of bank failure to the society as a whole is higher than the private cost (the loss to the shareholders), which is the compelling reason for supervising banks. Official supervisors have a role in this regard mostly because banks' depositors are generally not well placed to monitor the portfolio behavior of banks nor to enforce compliance with the terms of the notional covenant depositors have with their bank.

Banking supervision is basically concerned with constraining the risks which banks can take in using other people's money; money which they have borrowed on the basis of a representation that it will be repaid in full together with interest at the rate contracted. These reasons call for an independent supervisory body to conduct a direct assessment of the overall condition of the banking institutions with regular review of the bank's financial position, system and controls, risk management practices and the compliance with the relevant regulatory requirements. Nepal Rastra Bank is the supervisory body of all the licensed institutions that carry banking transaction.

## 2.2 The Bank Supervision Department (BSD)

The Bank Supervision Department and Financial Institution Supervision Department oversee the supervisory functions of the Central Bank. Bank Supervision Department is responsible for carrying out inspection and supervision of commercial banks. The work of the

Department is divided into four units: Onsite Supervision, Off-site Supervision, Policy Planning and Analysis Unit and the Internal Administration Unit.

## 2.3 Methodology used for Supervision

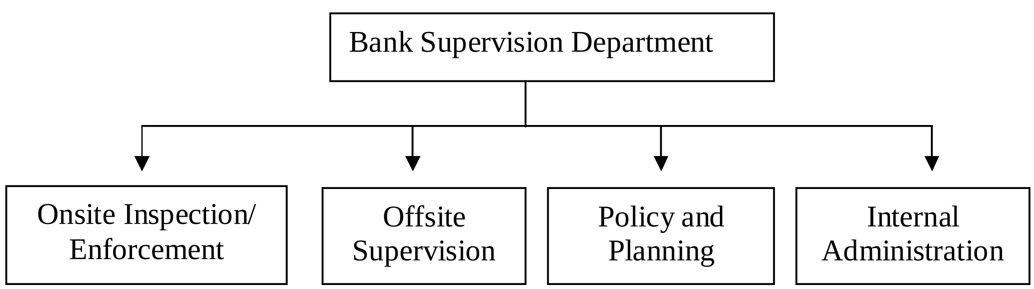
The cornerstone of supervisory review is thorough, regularly scheduled, on-site examinations. These examinations focus on six components of bank safety and soundness, known together as **CAMELS**: C for capital, A for asset quality, M for management, E for earnings, L for liquidity and S for sensitivity to market risk. The banks are awarded a grade of 1 (best) through 5 (worst) on each component. Examiners use these six scores to award a composite CAMELS rating, also expressed on a 1 through 5 scale.

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

## 2.4 Organization of Bank Supervision Department

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

**Organization of Bank Supervision Department**




The responsibility of these divisions and units of the Bank Supervision Department are:

### 2.4.1 Onsite/Enforcement Unit:

This division is responsible to conduct the on-site examination of the banks in accordance with the annual plan of the department. On-site examinations are carried out at the banks' premises and involve examination of their business books and assessment of their technical, professional and organizational resources. The on-site aspect of the department's function includes independent on-site assessment of banks' corporate governance, internal control system, reliability of information provided, etc. This Unit also complements the Off-Site in the verification of information provided on the returns submitted to the off-site.

The objective of on-site inspection is to determine the commercial banks' financial position and the quality of its portfolios and operations so as to ensure that it is not operating against the interests of the depositors. It scores over offsite supervision by virtue of its scope to assess and appraise the competence and capability of the commercial bank's management and staff, as the quality of the institution's management will determine the soundness of its operation.

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

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

B) Corporate level full fledged inspection, which is the regular examination

C) Targeted Inspection, which addresses specific areas of operation of a bank e.g. credit, foreign trade etc.

D) Special inspection, which is carried out as the need arises.

### 2.4.2 Off-site Supervision Unit:

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

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

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

### 2.4.3 Policy, Planning and Analysis Unit:

This unit of the department is responsible for the formulation and periodic review the annual plan of the department. The unit also contributes in the formulation of rules and directives. Supervisory policies and guidelines are developed in a consultative manner, where industry participants and the stakeholders are allowed to comment on policy documents before they are finalized. This unit is responsible to co-ordinate such exercises.

This unit is also responsible for coordinating the interaction programs, seminars, and workshops on issues relevant to the supervision function, with participation from the external stakeholders, as well. The supervisory function of Nepal Rastra Bank is in the stage of evolution and thus it is crucial that a relation with international supervisory agencies be maintained. This relationship is likely to bring into the fore new techniques and developments in the field of supervision. The policy and planning unit is entrusted to maintain such relationship and to notify the department of new developments in the international arena, on a periodic basis.

### 2.4.4 Internal Administration Unit:

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

# Chapter 3 Current Issues in Banking Supervision

## 3.1 Background

In the past, the business of bank supervision was focused on validating bank's transactions, particularly the value of loan portfolios, which have been historically the principal source of problems for banks. In the process, supervisors would go through the balance sheet, assuring themselves that a bank's assets and liabilities were essentially as stated and that its reserves and net worth were real. Traditional forms of supervision are important regulatory tools but have some severe limitations. In particular, they are labor intensive and narrow in focus, as they look at many transactions to assess the condition of individual financial institutions at a point in time. They were focused on detecting minor mistakes rather than overall financial soundness and risk management aspect of the banks. Traditional supervision provides a snapshot of an institution’s condition at a point in time. It is transaction-oriented and usually more labor intensive than risk-based supervision, thereby straining the scarce resources of most regulators.

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

Nepal Rastra Bank (NRB) is committed to adopt the best supervisory methods and practices and has been constantly endeavoring to enhance the sophistication and efficiency levels of its supervisory processes. In line with this philosophy, NRB has been continually updating the rules, regulations as well as the supervisory practices to deliver effective supervision.

## 3.2 Risk Based Supervision

The current supervisory process adopted by the Bank Supervision Department (BSD) is applied uniformly to all supervised institutions i.e., commercial banks. The current approach is largely on-site inspection supplemented by off-site monitoring and the supervisory follow-up and action commences with the detailed findings of annual financial inspection. The process is based on CAMELS/CAELS approach where capital adequacy, asset quality, management aspects, earnings, liquidity and sensitivity to market risk are assessed keeping in view the legal requirements of the Acts and directives. The on-site inspections are conducted, to a large extent with reference to the audited balance sheet dates and cut-off dates of financial years. The off-site surveillance plays a supplemental role. While in several external jurisdictions, the supervisory process extensively leverages on the work done by others, such as the internal and external auditors, the use made of these resources in Nepal is rather limited. This is gradually changing with the introduction of Long Form Audit Report.

As outlined in monetary policy, NRB would be developing an overall plan for moving towards risk-based supervision (RBS). The RBS will be a regime in which NRB's resources will be directed towards the areas of greater risk to its supervisory objectives. Risk-based supervision saves regulatory resources and helps to promote a more safe and sound financial system. It saves resources because it focuses regulatory resources on areas of highest risk and usually requires substantially less transaction testing. By getting institutions to manage risks as opposed to correcting symptoms of problems, as is often the case with traditional supervision, supervisors should focus their actions on correcting causes of problems and thereby requiring improvements in management practices and management systems. The risk-based supervision will not be transaction based. It will be systems based inspection by the regulator/supervisor. In this approach, the regulator and supervisor will go into details of the systems and procedures for managing and controlling risks.

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

## 3.3 Basel Core Principles

The Core Principles for Effective Banking Supervision, promulgated by the Basel Committee on Banking Supervision, set out the minimum standards that are considered necessary for effective supervision. Core Principles have been used by countries as a benchmark for assessing the quality of their supervisory systems and for identifying future work to be done to achieve a baseline level of sound supervisory practices. Experience has shown that self-assessments of countries’ compliance with the Core Principles have proven helpful for the authorities, in particular in identifying regulatory and supervisory shortcomings and setting priorities for addressing them.

Several of the principles embrace risk-based supervision and encapsulate the concepts developed over the past twenty years. However, because the Core Principles is a brief document and covers a variety of topics, it cannot fully explain the key differences between risk-based supervision and traditional regulatory practices or provide a systematic explanation of all the basic elements that would enable a regulatory agency to implement risk-based supervision.

Although supervisory practices and processes are always evolving and improving over time, it is helpful to subject supervisory arrangements to scrutiny against internationally accepted benchmarks, and to consider where improvements can be made. To be effective, any such assessment must be undertaken. It is too easy for supervisors to assert critically that existing arrangements represent best practice when closer analysis would reveal otherwise.

Realizing the importance of the core principles, NRB with technical support from IMF has completed a self assessment which was finalized after various rounds of discussions. The assessment highlighted area which needs improvement and in order to correct those deficiencies an action plan has been prepared. Nepal Rastra Bank has already taken initiatives to address those deficiencies in accordance with the action plan.

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

With a view of adopting the international best practices, NRB has decided to adopt capital adequacy framework based on Basel II document released by Basel Committee on Banking Supervision. The complexity and sophistication of the Nepalese financial market didn't warrant advanced approaches like the IRB Approach or the Standardized Approach. Hence, Nepal Rastra Bank adopted the simplified standardized approach for credit risk, Basic Indicator Approach for Operational Risk and Net Open Exchange Model for the Market Risk. Reminiscent of the International convergence of capital measurements and capital standards, this framework also builds around three mutually reinforcing pillars, viz. minimum capital requirements, supervisory review process and disclosure requirements.

The first pillar aligns minimum capital requirements more closely with banks' actual underlying risks. In concept, the first pillar is similar to the existing capital framework, in that, it provides a measure of capital relative to risk. The second pillar – supervisory review process – allows supervisors to evaluate a bank's assessment of its own risks and determine whether that assessment seems reasonable. It is not enough for a bank or its supervisors to rely on the calculation of minimum capital under the first pillar. Supervisors should provide an extra set of eyes to verify that the bank understands its risk profile and is sufficiently capitalized against its risks. The third pillar – market discipline – ensures that the market provides yet another set of eyes. The third pillar is intended to strengthen incentives for prudent risk management. Greater transparency in banks' financial reporting should allow marketplace participants to better reward well-managed banks and penalize poorly managed ones.

The coming year shall see a parallel run on the capital adequacy of the banks under both Basel I and Basel II. Banks are required to compute their capital adequacy requirements, based on this framework, on a quarterly basis. The so arrived result should be reported to their respective board of directors as well as to the Nepal Rastra Bank in the prescribed formats. Any shortfall in the capital adequacy requirement in accordance with this framework shall not constitute a default during this review period. However, the failure to submit the returns stipulated in this framework shall constitute non-compliance.

The Accord Implementation Group (AIG) constituted to support the Basel II implementation is continuously monitoring and providing support to this process. This group also recommends necessary changes to the framework based on the ground of the need and justification of such changes.

### 3.4.1. Prompt Corrective Actions (PCA)

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

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

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

Nepal Rastra Bank has planned to adopt PCA framework through Monetary Policy for FY 2007/08 that states NRB will take actions immediately to those banks whose capital adequacy ratio falls short of the stipulated limit. The triggers and stipulated action are applicable uniformly to all banks including those within the scope of this framework. Actions range from applying restrictions on branch expansion and dividend payments; loan disbursement and deposit mobilization; increase in salary and allowances to execute actions available under Section 86 of Nepal Rastra Bank on the basis of the level of shortfalls from the regulatory capital adequacy ratios as per clause 42 of the Banks and Financial Institutions Act 2006. This framework is expected to encourage banks to observe the minimum capital adequacy at all times.

## 3.5. Information Technology in Banking Sector and Supervisory Concern of Nepal Rastra Bank

Technology has increased the size of data and information being processed resulting significant impact on the control environment in the system. Due to high dependence of IT, continuous watch on Information System should be prime importance for the organization to safeguard information assets and the financial system

The scope of supervision includes Data, Application systems, Technology, Facilities and People. Following are the supervisory concerns of NRB in respect to IT.

**1. Information Security and Control Measure**

The exposure of information system to the open network exposes to the unknown sources globally, and the possibility of fraud, hacking, fishing etc. increases. So the use of information technology is also a risk to the business and hence the concern of supervision. Adequate physical and logical access controls are important since they can protect data, system and resources from unauthorized persons.

A financial institution needs to have a strong authentication process to prove the identity of the person who logs onto the service before any transaction is allowed. Since transaction via Internet does not require face-to-face contacts, non-repudiation becomes another major issue as the ability to prove that a customer did request a transaction on service. Therefore, security and control measures is always a prime concern of supervision

2. **IT Outsourcing**

Outsourcing is carried out with a third-party service provider residing domestically or abroad. Since financial institutions' data, including customer and transaction, are processed by other parties, a financial institution must ensure its data integrity, security and confidentiality to prevent data leakage and mishandling. Moreover, though operated elsewhere system reliability and availability still fall under the financial institutions' responsibilities. All of these issues can in fact impact the institution's reputation, image and credibility.

3. **Policy Perspective**

To reap the benefit of information technology and return on investment, IT should be aliened with the organization and it must have comprehensive IT policy and procedures in place. To ensure sound development of the financial services sector, while reaping the benefits from the remarkable advancement of the IT revolution, organization should implement information technology with proper policy. Financial institution should have strategic plan and policy comprising every IT activities including security, contingency, outsourcing, human resource etc. It is ultimately the responsibility of management and board to ensure IT resources are utilized in full extent.

4. **System Availability**

This includes the financial institutions readability for being able to run the business without any disruption in case of all kinds of disaster. The inability of organization to start the business activity smoothly in case of disruption may result in loss of not only the reputation of the organization but in the confidence of customers in electronic delivery channel. To ensure the system availability, organization must have periodically tested business continuity plan.

5. **Data integrity**

To ensure reliability and completeness of system functionality and to verify that data is processed in an accurate and timely manner, it is critical for financial institutions to have sound application control in place. In this regard, they should have control built in the procedure and programmed in the system to ensure the integrity of input, process and output. Data and system integrity can reflect the effectiveness of system development, acquisition and change control procedure.

# Chapter 4 Supervisory Activities of 2006/07

## 4.1 Annual Bank Supervision Action Plan 2006/07

Bank Supervision Department formulated a bank supervision annual plan for the year 2006/07 in accordance with the provisions of the Inspection and Supervision By-laws and in line with the guidelines issued by Corporate Planning Department. The activities of the department were defined in accordance with the responsibility of the various divisions and units.

In accordance with the broad plans and programs, a more detailed program with the inspection dates, period of inspection, report preparations and submission dates of on-site examination were determined in advance in the department level. Similarly, the dates of submission of reports of off-site supervision and the enforcement activities were also specified.

The department used complementing tools of off-site surveillance and on-site inspections. The department continued to monitor the financial soundness of commercial banks as well as their compliance with the relevant statutory and regulatory provisions through analysis of regular financial and compliance returns submitted by those institutions to off-site division of BSD.

Nepal Rastra Bank has adopted a policy of on-site full scope examination of all commercial banks once a year. In accordance with this strategy, the full scope corporate level examination of all commercial banks was envisioned in the annual supervision action. However, special and targeted inspection was not incorporated in the Annual Plan as they are supposed to be carried out as and when necessary.

**Table 6: Annual Action Plan of Bank Supervision Department for F.Y.2006/07**

| **S. N.** | Work Plan |
|---|---|
| **1** | **On-site Inspection** |
| 1.1 | Corporate level inspection of all commercial banks. |
| 1.2 | Preparation of Inspection Reports |
| 1.3 | Special Inspection of commercial banks branches as per required basis |
| **2** | **Off-site Supervision** |
| 2.1 | Preparation of quarterly consolidated offsite supervision report incorporating financial analysis and compliance to prevailing directives and regulations, within the specified timeframe. |
| 2.2 | Preparation of annual offsite supervision reports of all commercial banks. |
| 2.3 | Annual clearance of all Commercial Bank |
| **3** | **Enforcement** |
| 3.1 | Enforcing the directions given by Nepal Rastra Bank during on-site examination or off-site supervision |
| 3.2 | Monitoring implementation status of directions given by Nepal Rastra Bank during on-site examination or off-site supervision |
| 3.3 | Preparation of quarterly enforcement reports reflecting implementation status of each bank within the specified deadline. |

| 4 | **Policy, planning Unit** |
|---|---|
| 4.1 | Publication of annual report of Bank Supervision Department. |
| 4.2 | Coordinate various interaction Programs, seminar, workshops, and trainings etc. |
| 4.3 | Preparation of Annual Bank Supervision Action Plan for 2006/07 |

The department was able to perform all activities mentioned in the Annual Supervision Action Plan of 2006/07.

## 4.2 Corporate Level On-site Inspection programs

There were corporate level on-site examinations in 18 banks during the year 2006/07. The workload of the on-site examination was distributed in four respective quarters.

**Table 7: Distribution of corporate level on-site examination in 2006/07**

| **Quarters** | First | Second | Third | Fourth |
|---|---|---|---|---|
| **Banks** | • Agriculture Development Bank<br>• Machhapuchhre Bank<br>• Nepal Credit and Commercial Bank<br>• Nepal Bangladesh Bank<br>• Himalayan Bank Limited | • Nepal Bank Ltd.<br>• Rastriya Banijya Bank<br>• Kumari Bank<br>• Nepal SBI Bank<br>• Nepal Industrial & Commercial Bank | • Lumbini Bank<br>• Siddhartha Bank<br>• Nepal Investment Bank<br>• Bank of Kathmandu<br>• Standard Chartered Bank | • Laxmi Bank Ltd.<br>• NABIL Bank<br>• Everest Bank |
| **No. of Banks** | 5 | 5 | 5 | 3 |

During the on-site examination of these banks, several forms of discrepancies were identified in terms of compliance with NRB directives, BAFIA and other relevant Acts and statutes. Similarly, lapses were observed in the areas of corporate governance and risk management practices. Bank Supervision Department has issued both specific and general directions to the bank in order to resolve the shortcomings observed in the inspection reports, in accordance with the authority bestowed on the department, by the prevailing statute.

The major shortcomings and lapses observed in the banks during the on-site examination of 2006/07 were as follows:

| **Area of Inspection** | **Major area where deviations and lapses were observed** |
|---|---|
| **Capital** | ➢ Capital Plan not implemented<br>➢ Inadequate Capital<br>➢ Cases on Debt Instruments |

| | |
|---|---|
| **Asset Quality** | ➢ Connected/insider lending<br>➢ Utilization of facility in excess of obligor limits<br>➢ Inadequate Insurance of collateral<br>➢ Adverse Classification and inadequate provisioning<br>➢ Credit files lacking supporting documents eg. CIC report, tax clearance, Audited financial statements of the borrower, stock inspection report, valuation report etc<br>➢ Restructuring and rescheduling of loans without fulfilling the provisions specified by NRB<br>➢ Lack of sound credit practice<br>➢ Credit department structure lacking proper internal control<br>➢ Enhancement of credit limits without supporting documents.<br>➢ Non-existence of specialized units for Loan Recovery |
| **Management** | ➢ Functioning of the board<br>➢ Appointment and remuneration of directors<br>➢ Lack of effectiveness of Audit committee and internal audit function<br>➢ Cases of corporate governance and independence of Directors<br>➢ Covenants of the contract of CEO<br>➢ Lack of disaster recovery plan and business continuity plan,<br>➢ Significant Policy deviations on credit approval process.<br>➢ Absence of policies and guidelines.<br>➢ Lack of proper monitoring on sectoral lending<br>➢ IT infrastructure inadequate<br>➢ Poor MIS<br>➢ Poor Internal Control System |
| **Earning** | ➢ Inflated earning due to adverse classification and provisioning<br>➢ Adverse cases on income recognition |
| **Sensitivity To Market** | ➢ Ineffective assets and liability management structure. |

## 4.3 Special On-site Inspection

During the year 2006/07, Bank Supervision Department conducted 21 special on-site examinations, at least one each on 10 banks, relating to various matters.

**Table 8: Special on-site Inspection in 2006/07**

| S.N | Bank | No of inspection |
|---|---|---|
| 1 | Lumbini Bank Limited | 2 |
| 2 | NCC Bank Limited | 5 |
| 3 | Kumari Bank Limited | 3 |
| 4 | Machhapuchhre Bank Limited | 2 |
| 5 | Investment Bank Limited | 1 |
| 6 | Nepal Bank Limited | 2 |
| 7 | NMB Bank limited | 1 |
| 8 | Bank of Kathmandu Ltd | 2 |
| 9 | Nepal Bangladesh Bank Ltd. | 2 |
| 10 | Laxmi Bank Ltd. | 1 |

## 4.4 Off-site Supervision

### Cash Reserve Ratio

Banks are required to maintain a minimum cash reserve ratio of 5 percent of total deposit liabilities denominated in local currency, except for margin deposits. Banks, who fail to maintain such reserves, were levied financial penalties, the rate of which escalates every time there is a non-compliance. During the year 2006/07, following banks were penalized in terms of non-compliance of cash reserve ratio.

**Table 9: Penalty for non-compliance of Cash Reserve Ratio in 2006/07**

| Banks | Quarter I | Quarter II | Quarter III | Quarter IV | Total |
|---|---|---|---|---|---|
| NCC Bank. | | 81,454.33 | - | - | **81,454.33** |
| Siddhartha Bank Ltd. | 3,915.00 | - | - | - | **3,915.00** |
| Rastriya Banijya | 7,341.34 | | - | | **7,341.34** |
| **Total** | **11,256.346** | **81,454.93** | - | - | **92,711.27** |

### Priority and deprived Sector Lending

With regards to directed lending, banks were required to maintain 2 % of total lending to Priority Sector and 3% of the total loan portfolio in the deprived sector, for the year 2006/07. The failure to meet such an obligation resulted in the financial penalty for the bank, computed as the product of shortfall amount and the highest published rate of the bank, commensurate to the applicable time period. During the year 2006/07, following banks were penalized in terms of non-compliance of directed lending.

**Table 10: Penalty for non-compliance of Directed lending in 2006/07**

| Banks | Quarter I | Quarter II | Quarter III | Quarter IV | Total |
|---|---|---|---|---|---|
| Lumbini Bank | - | - | 88,432.50 | - | **88,432.50** |
| Machhapuchhre Bank | 2,26,860.00 | - | - | - | **2,26,860.00** |
| **Total** | 2,26,860.00 | - | 88,432.50 | - | **3,15,292.50** |

**Annual Accounts Clearance**

Banks are required to obtain clearance from Nepal Rastra Bank prior to publishing their annual accounts for the year 2006/07. In this process, an off-site surveillance of the banks' was conducted based on the various documents like the final accounts submitted by the banks, preliminary audit report, management reply, long form audit report and the preceding on-site examination report. The bank's financial position, compliance of the relevant statutes and issues raised by the external auditors are analyzed at length to determine whether any supervisory intervention was required. If the need for a supervisory intervention is felt, direction is issued to that effect and the direction issued in this regard is to be disclosed in the Annual report, itself.

Annual accounts of 19 banks were cleared during 2006/07, the only exception being RBB because of the failure of the bank to submit the obligatory documents.

## 4.5. Enforcement Activities

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

## 4.6 Policy Planning Activities

The policy and planning unit formulated an Action Plan for the upcoming year. In the year of review, policy, planning and analysis unit coordinated various meetings of High Level Co-ordination Committee. The policy-planning unit also conducted a periodic review of the Annual Supervision Action Plan of 2006/07 and the report was executed in accordance with the Inspection and Supervision By-law. Similarly the unit conducted the following training, Seminar and Interaction Programs:

- An interaction program with members from Commercial banks on "Implementation of Basel II"
- A two-day departmental workshop on "On-site Inspection Manuals of NRB"
- A two-day workshop on "Legal Compliance"
- An interaction program on "Core Principles on Effective Banking Supervision"
- An interaction program with external auditors of Commercial Banks on "Long Form Audit Report"

## 4.7 Special Monitoring of some commercial banks

Nepal Rastra Bank placed three private sector commercial banks in the close monitoring during the review period. Nepal Bangladesh Bank, Nepal Credit and Commerce Bank and Lumbini Bank were paid close attention during the whole year. As these banks had poor financial health due to poor lending practices and poor corporate governance, various actions were initiated against them. They were required to report their financial position along with other information to the Monitoring committee on a periodic basis. The committee reviewed such information and recommended necessary action to the senior management. On a consolidated basis the overall position of these banks showed signs of improvement.

# Chapter 5: Performance of the Banking Sector in 2006/07

## 5.1 Assets of the Commercial Banks

The total assets of the bank increased by 7.67 percent in the year 2006/07 (previous year 13.29%). The total assets decreased by 5.27 percent in the public banks and increased by 15.69 percent in the private banks. In context of the Nepalese economy, the growth rate of assets of the banks has to be classified as commendable,

**Table 11: Total Assets of the Commercial Banks**

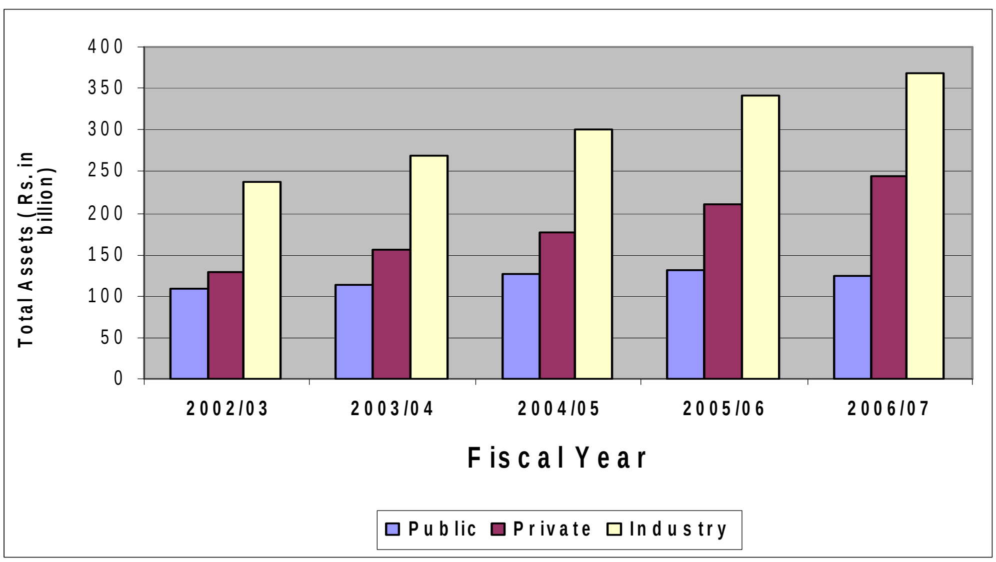
**(Rs. in billion)**

| Banks | 2002/03 | Change % | 2003/04 | Change % | 2004/05 | Change % | 2005/06 | Change % | 2006/07 |
|---|---|---|---|---|---|---|---|---|---|
| Public | 107.66 | 4.54% | 112.55 | 12.03% | 126.09 | 3.63% | 130.67 | -5.27% | 123.79 |
| Private | 128.54 | 20.89% | 155.39 | 12.80% | 175.28 | 20.24% | 210.76 | 15.69% | 243.82 |
| Industry | 236.2 | 13.44% | 267.94 | 12.48% | 301.37 | 13.29% | 341.43 | 7.67% | 367.61 |

*** Balance Sheet figures are net of provisions where loan loss provision of Commercial Banks as of July, 2007 is NPR. 29.03 Billion.**

The increase in the total assets is mainly on account of the increase in the loan portfolio of the banks. The increase was 40.06 billion on the previous year. The loan portfolio of the banks has posted an increase of Rs. 26.18 billion during the period.

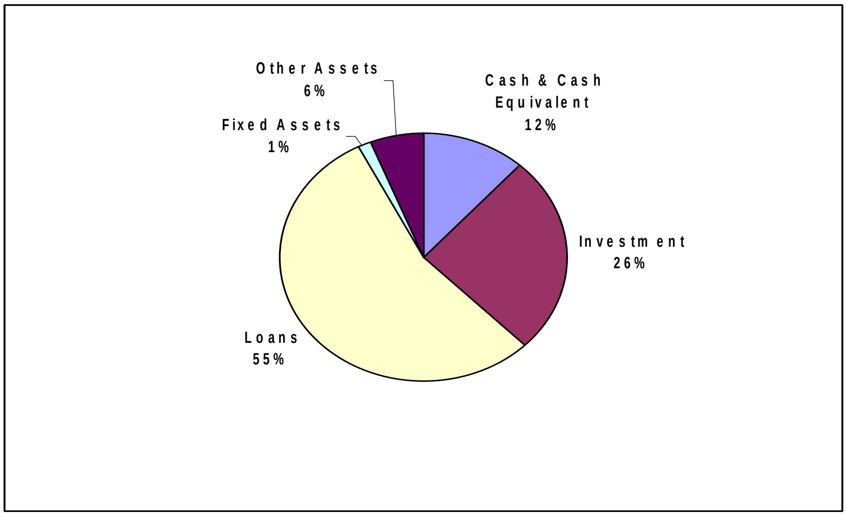
**Figure 6: Assets of the Commercial Banks (Mid July 2007)**




## 5.2 Composition of Assets

The assets of the banking industry comprises of various assets, but is dominated by loans, which accounts for almost half of the total assets. Loans and advances comprises major share in the total assets followed by investment and cash and bank balance in that order. As on mid July 2007, the proportion of loans, investment and Cash and Bank balance to total assets was 55.05 percent, 25.83 percent and 11.74 percent respectively.

**Figure7: Composition of Assets (Mid July 2007)**




## 5.3. Composition of Liabilities

The bank's liability consists of various forms of liability, primarily of share capital and reserves, deposits and borrowings. The deposits of Rs.337.27 billion remained the main source of funding for the banking sector. As evident from the following table, the huge volumes of negative reserves of the public banks and five private banks have negated the reserves of the entire banking industry.

The year on year comparison with 2005/06 indicates a positive change in the liabilities of the banking sector. The banks have been able to mobilize an additional deposit of Rs.45.28 billion during the year and the reserves of the public banks and the banking industry has changed favorably. The negative reserves of the public banks have been decreased by Rs.2.6 billion, the reserves of the private banks has been increased by Rs.0.63 billion and the negative reserves of the banking industry has been decreased by Rs.3.23 billion during the year 2006/07.

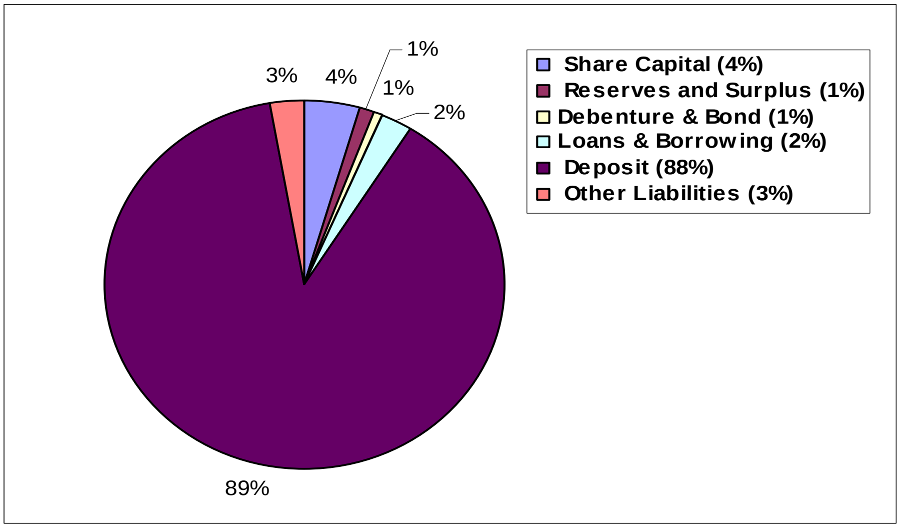
**Table 12: Composition of Liabilities (Mid July 2007)**

**(Rs. in billion)**

| Capital and Liabilities | Public | Private | Industry |
|---|---|---|---|
| Share Capital | 9.08 | 10.94 | 20.02 |
| Reserves and Surplus | (31.25) | 2.66 | (28.59) |
| Debenture & Bond | 0.00 | 2.06 | 2.06 |
| Borrowing | 4.20 | 5.94 | 10.14 |
| Deposit | 121.89 | 215.37 | 337.27 |
| Other Liabilities | 19.87 | 6.85 | 26.72 |
| **Total Liabilities** | **123.79** | 243.82 | 367.61 |

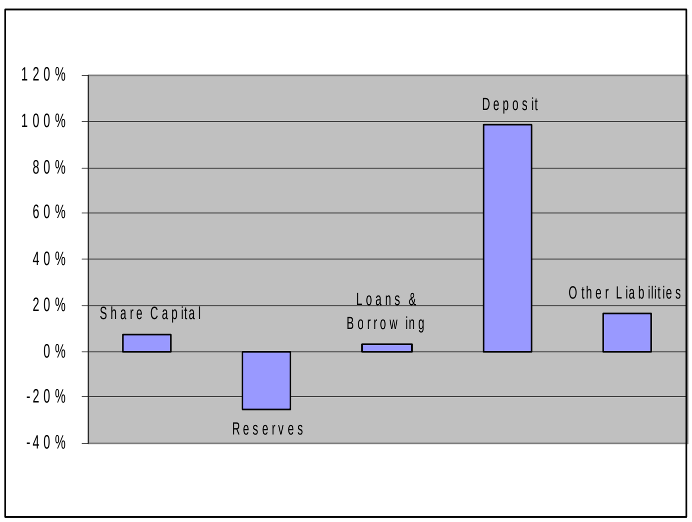
Because of the negative reserves of the public banks and three private banks; the composition of the liabilities of the public banks and thereby of the entire banking industry is affected.

**Figure 8: Composition of Liabilities of Private Banks (Mid July 2007)**




The analysis of the composition of liabilities of the private banks indicates a heavy concentration of 89 percent in the form of deposits while the capital, borrowings and others account for 4 percent, 2 percent and 3 percent respectively.

**Figure 9: Composition of Liabilities of Public Banks (Mid July 2007)**




The analysis of the composition of liabilities of the public banks indicates a concentration of 98 percent in the form of deposits while the capital, Reserves and others account for 7 percent, -25 percent and 16 percent respectively. The public banks have not issued any long term debt instruments till date.

## 5.4. Capital

The consolidated capital of the Nepalese banking industry has shown positive trend during the review period. The capital has improved by Rs.8.10 billion in 2006/07. However, due to the large volume of negative reserves of the public banks and three private banks, the capital base is still is negative and not satisfactory.

**Table13: Total Capital Fund of the Commercial Banks**

(Rs .in billion)

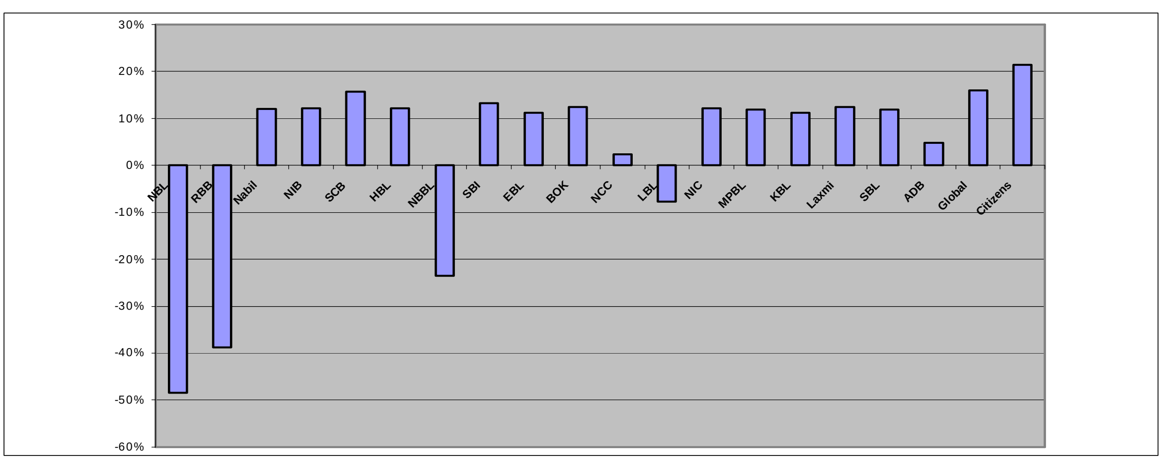
| Banks | 2003/04 | Change% | 2004/05 | Change% | 2005/06 | Change% | 2006/07 |
|---|---|---|---|---|---|---|---|
| Private | 10.46 | 32.70% | 13.88 | -2.36% | 13.55 | 25.23% | 16.97 |
| Public | -30.72 | 9.51% | -27.8 | 9.65% | -25.12 | -18.67% | -20.43 |
| Industries | -20.26 | 31.29% | -13.92 | 16.92% | -11.56 | -70.06% | -3.46 |

The capital adequacy position of the private banks, public banks and the entire industries is not satisfactory mainly due to some problematic banks

It is the negative capital base of public banks and three private banks that has resulted on the negative capital base of the entire banking industry. The public banks due to their inherent problems have suffered massive losses in the past and three private banks due to increase their non-performing loans has suffered massive losses from last year, which has resulted in their negative reserves. Although, the public banks have started to improve their financial condition, it is far from an acceptable standard. The public banks, due to their size, have a relatively significant degree of sensitivity to the entire industry's performance and their improvement has been echoed in the improvement of the entire industry's capital.

The review of the individual banks capital adequacy as on Mid July 2007 reflects that most of the banks have complied with the statutory capital adequacy ratio of 11 percent. The banks with non-compliance are Rastriya Banijya Bank (-48.45%), Nepal Bank Ltd. (-32.46%), Nepal Bangladesh Bank Ltd. (-23.55%), Nepal Credit & Commerce Bank Ltd. (2.35%), Lumbini Bank Ltd. (-7.80%) and Agriculture Development Bank (4.84%).

**Figure 10 Capital Adequacy of Commercial Banks (Mid July 2007)**

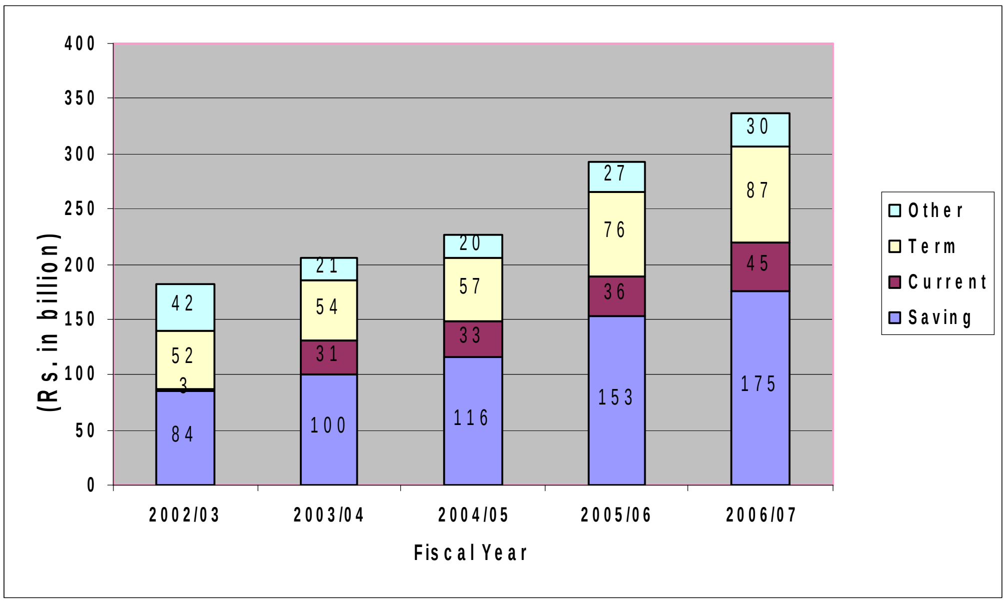



The capital of the Nepalese banking industry has depicted a favorable trend during 2006/07. There are various reasons for this improvement. The banks, during the period, on an average have performed well and some of them have raised capital from the market, which improved the overall capital position of the industry. All banks, except for four private banks were able to post handsome profits during the year in review.

## 5.5 Deposit

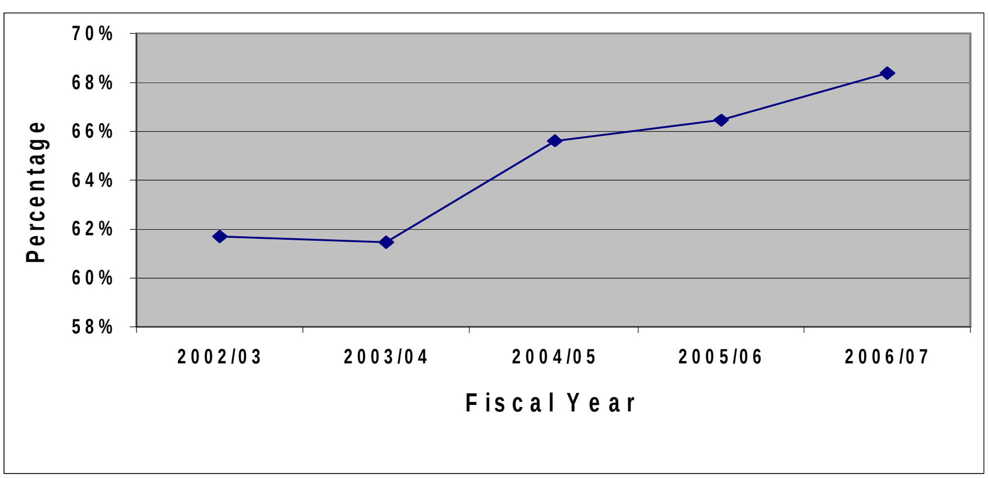
The total deposit of the banking sector was approximately Rs.337 billion as on Mid July 2007. The deposits have increased by 15.51 percent in 2006/07 as compared to 29.20 percent in 2005/06. Out of total increase of Rs.45 billion in 2006/07, an increase of Rs.22 billion is on account of the savings deposit alone.

**Figure 11 Deposits Mix of the Commercial Banks on Mid July 2007**




The deposit of the banking industry has been, historically, dominated by the savings deposit and term deposits. The year ending Mid July 2007 is no different. The savings deposit account for 51.81 percent of total deposits followed by term deposits, which contributes 25.86 percent. In the total deposit, private banks have account for 63.83 percent, while public banks have contributed 36.17 percent.

**Figure 12 Trend of Credit to Deposit Ratio (Mid July 2007)**



Though the trend of credit to deposit ratio during year from 2002/03 up to 2006/07 moved downwards, the trend has moved upward from 2004/05 indicating higher utilization of the resources in the form of risk assets.

## 5.6 Loans and Advances

The total loans and advances extended by the banking industry on Mid July, 2007 rose by 19.50 %. The loans and advances of the public banks (excluding ADB) have remained more or less the same for the last three years, while the private banks have enhanced their portfolio by 26.75 % resulting in the dilution of the concentration of public banks. However, the three public banks are still the three largest individual banks in Nepal, in respect of the size of their loan portfolio.

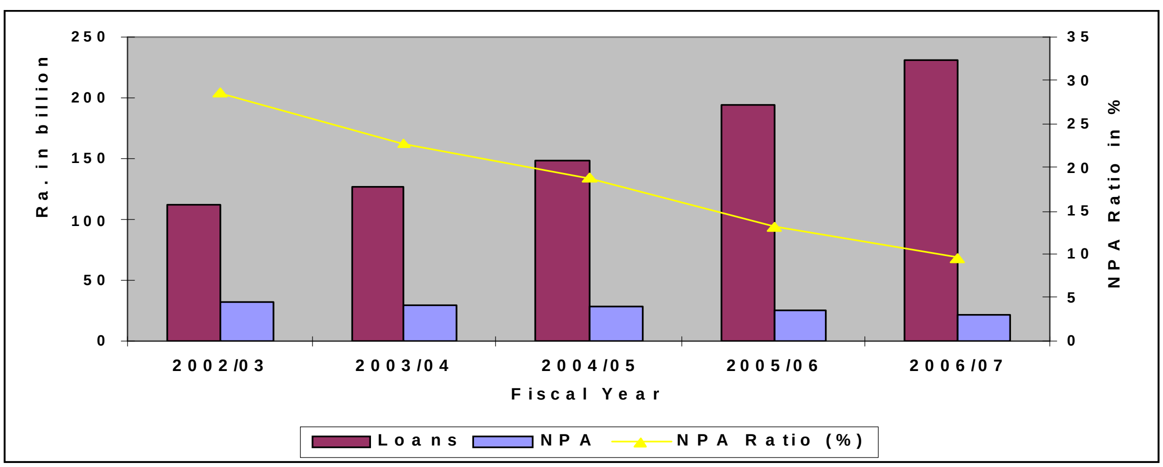
**Table 14: Total Loans and Advances of the Commercial Banks**

(Rs .in billion)

| Banks | 2002/03 | Change % | 2003/04 | Change % | 2004/05 | Change % | 2005/06 | Change % | 2006/07 |
|---|---|---|---|---|---|---|---|---|---|
| Private | 67 | 25.10 | 84 | 24.38 | 105 | 19.62 | 125 | 26.75 | 158 |
| Public | 45 | -3.80 | 43 | 1.93 | 44 | 57.28 | 69 | 6.37 | 74 |
| Industry | 112 | 13.55 | 127 | 16.77 | 148 | 30.75 | 194 | 19.50 | 232 |

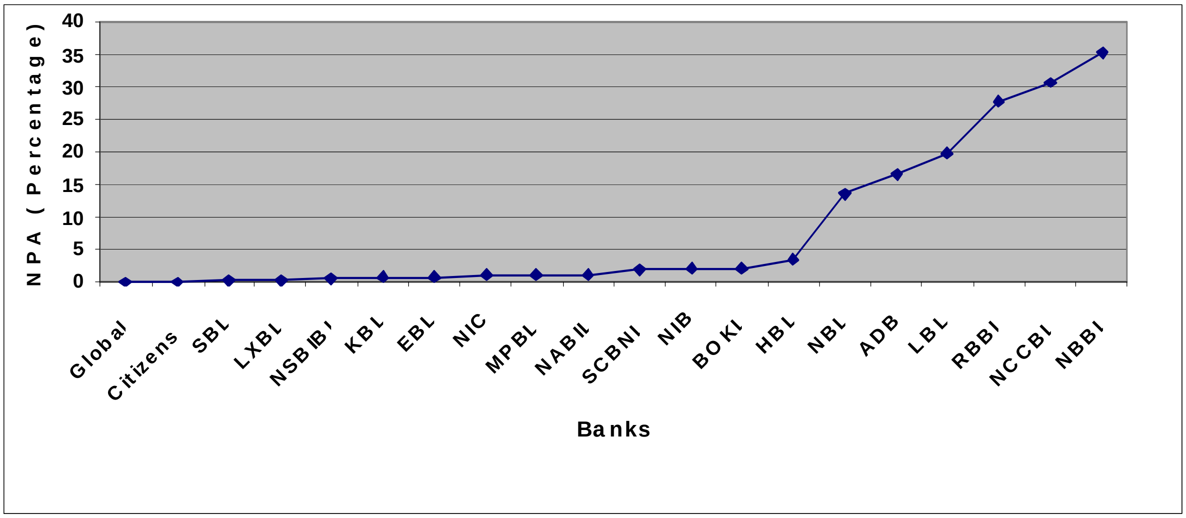
The Nepalese Banking system is riddled with a significant amount of Non Performing assets (NPA). The total volume of NPA as on Mid July 2007 was Rs.22.18 billion, which was 9.56 percent of loans and advances. The NPA has declined by Rs. 2.30 billion in 2005/06 and by a further Rs.3.40 billion in 2006/07. It is clearly evident from the following picture that the volume of Non Performing assets is on the decline while the total loans are continuously increasing, thus resulting in a favorable proportion of Non Performing assets. The NPA ratio, however, is still a long way from being at a satisfactory level.

**Figure 13: Total Loans, Non-Performing Loans and the NPL Ratio**




With regard to quality of the loan portfolio of the individual banks, Nepal Bangladesh Bank was the worst closely followed by Nepal Credit & Commerce Bank, Rastriya Banijya Bank, Lumbini Bank, Agriculture Development Bank and Nepal Bank Limited. Among the private banks, it was Nepal Bangladesh Bank, Credit & Commerce Bank and Lumbini Bank, who have the largest proportion of NPA in their portfolio.

**Figure14: Ratio of Non Performing Loans of the Banks (Mid July 2007)**



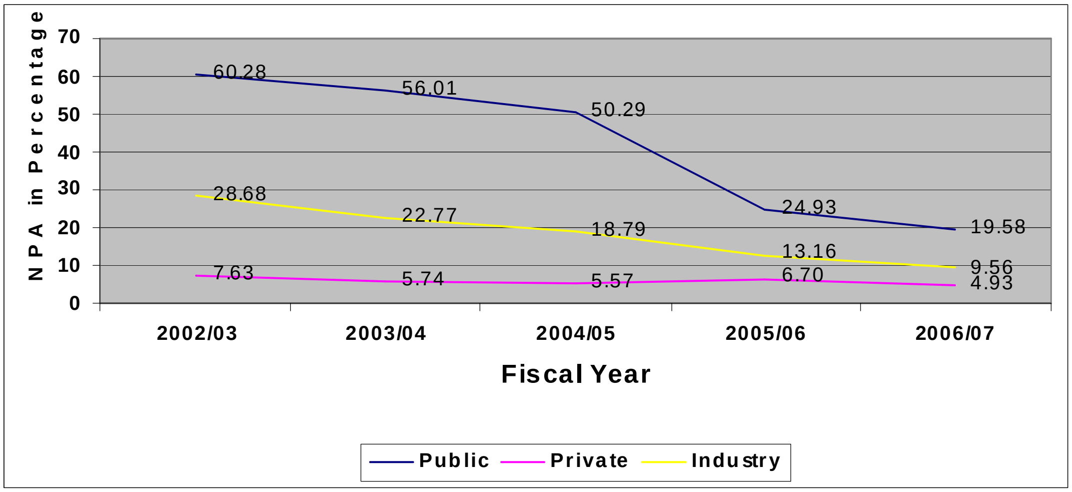

The volume of Non Performing assets is largely on account of the portfolio of the public banks. The volume of NPA, thus, needs to be broken down into the public banks and private banks, to better understand the reasons for the existing levels of NPA. The NPA ratio of the public banks is still 19.58 percent, though it has shown signs of improvement in the last couple of years. The reform process initiated in the public banks has significantly lowered the volume of NPA in these banks by virtue of recovery and write-offs. The NPA ratio of the private banks on Mid July 2007 was 4.93 percent. This ratio has almost often been within the range of 10 percent and has been shown as improvement in the last six years.

**Table 15: Non-Performing Loans of the Banks**

**(Rs. in billion)**

| Banks | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 |
|---|---|---|---|---|---|
| **Private** | 5.12 | 4.82 | 5.82 | 8.38 | 7.81 |
| **Public** | 26.97 | 24.11 | 22.06 | 17.20 | 14.37 |
| **Industry** | 32.09 | 28.93 | 27.88 | 25.58 | 22.18 |

**Figure 15: NPA Ratio of Public and Private Commercial Banks**

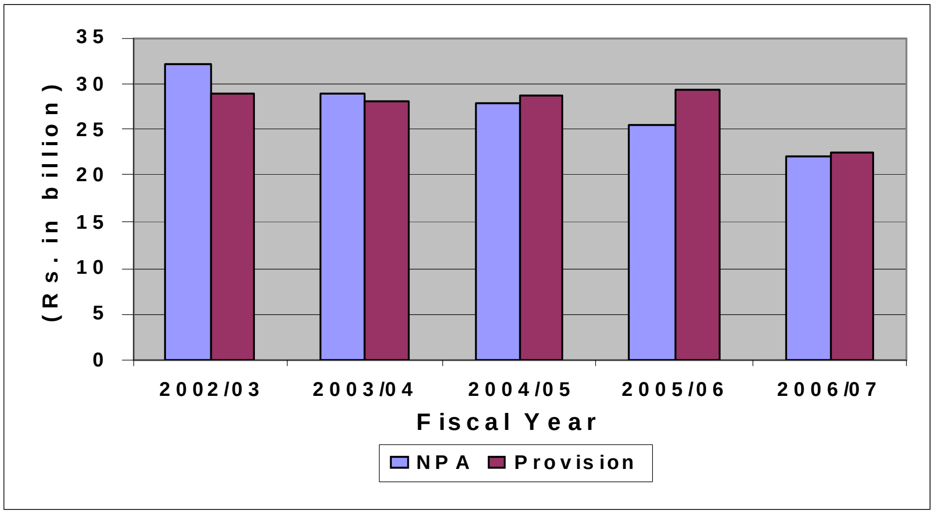



Nepal Rastra Bank requires provision on all loan accounts of the banks, which escalates as the quality of the loan deteriorates. The banks are required to create loan loss provisions on the gross value of outstanding loans, rather than on the net loans, and they are not allowed the relaxation in terms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

The banks, thus, have to create provisions in accordance to the quality of their loan portfolios. So, the public banks with large volumes of Non Performing assets have large provisions in their balance sheets while the provisions of the private banks (except NBBL, NCCBL and LBL) are relatively lower. The Nepalese banking industry has somewhat shielded itself, from the large volume of NPA through creation of loan loss provisions. While the gross NPA ratio is still at alarming levels, the net NPA ratio is very minimal or negative implying that banking sector doesn't stand to lose any more on account of NPAs.

The large volume NPA has traditionally been a problem in public banks and three private banks. After a reform program was initiated in the public banks, the volume of NPA, both gross as well as net has come down, significantly. The fact is also reflected in the following chart, where a wide gap between NPA and provision can be observed on Mid July 2002. This gap has narrowed down since 2001/02 and as on mid July 2007, the total provision of the banks has eclipsed the total loans of the industry.

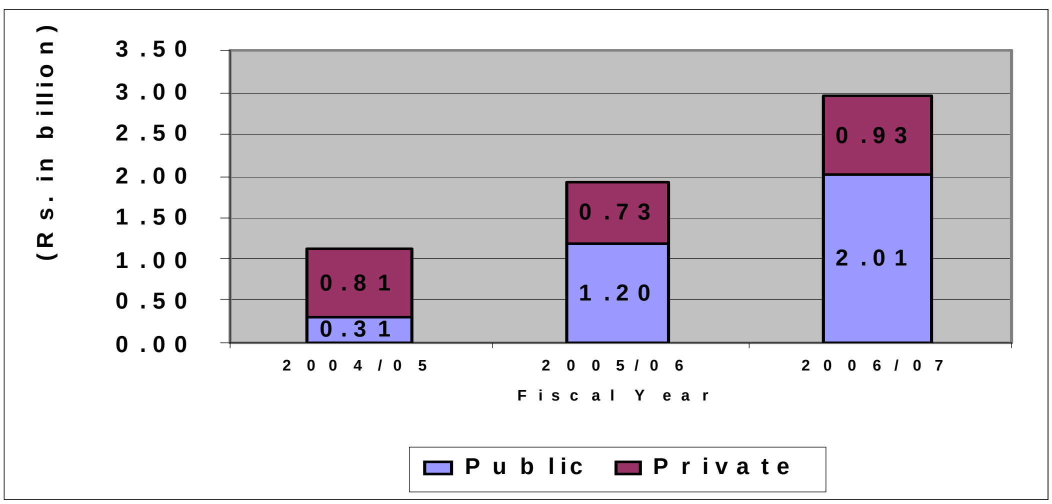
**Figure 16: NPA and Loan Loss Provision**




## 5.7 Non Banking Assets

The assets that are taken over by the bank in the process of recovery in respect of the default by the borrower are classified as Non Banking Assets. The total amount of such assets on Mid July 2007 was Rs. 2.94 billion, a decrease of Rs.1.01 billion from the previous year. The large chunk of these assets relate to the private banks, which is also a reflection of better recovery procedures in these banks in relation to the public banks.

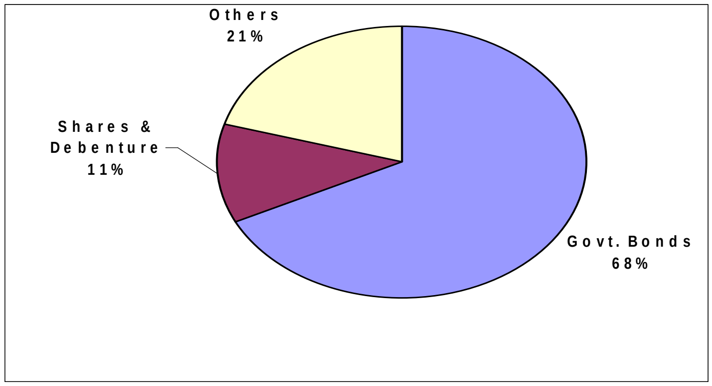
**Figure 17: Composition of Non Banking Assets of the Commercial Banks**




## 5.8 Investment

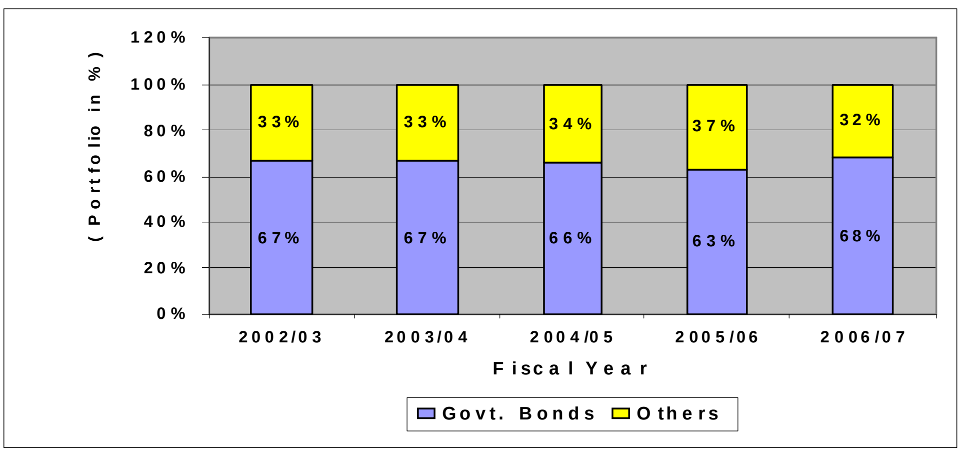
The investment activities of the Nepalese banks can be classified as limited. The banks have been predominantly investing in the government securities like the treasury bills and government bonds. This investment in government securities is for the liquidity benefit it offers. The other areas of investment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

**Figure 18: Composition of Investment (Mid July 2007)**




The total investment has increased by 3.55 percent on Mid July 2007 in the banking industry as compared to previous year. The total volume of the investment as on Mid July 2007 was Rs.94.96 billion. The analysis of the composition of the investment of the banking industry indicates a heavy concentration of 68 percent in the form of Government Bonds while the Share & Debenture and others account for 11 percent and 21 percent respectively.

**Figure 19: Investment Portfolio of Commercial Banks**




## 5.9 Earnings

Total earnings of the banking industry in 2006/07 were Rs.32.08 billion, which is an increase of Rs.3.45 billion from the previous year. The increase in the total revenue is an outcome of the increase in the interest income and non-operating income. The net profit of the banking industry has increased by Rs.2.45 billion due to the increase in non-operating income and interest income during the year.

All banks, except Nepal Bangladesh Bank, Nepal Credit and Commerce Bank, Global Bank and Citizens Bank International Limited managed to earn profits, during the year. Out of these, Nepal Bangladesh Bank had the worst performance with a loss of Rs.1.06 billion followed by Nepal Credit & Commerce Bank with loss of Rs. 0.11 billion. The public banks, which had alarming losses only a couple of years ago, had the distinction of being the two best banks in terms of profitability.

Till 2002/03, the Nepalese banking industry was unprofitable because of the performance of two public banks. However, their performance after the reform process has provided favorable results in terms of their profitability and the profitability of the industry, as a whole.

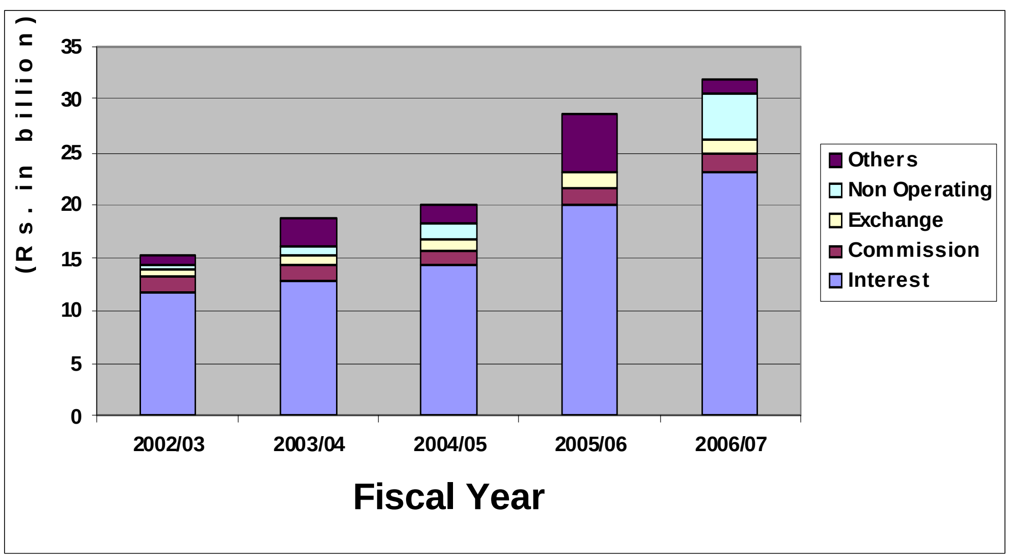
**Table 16: Revenue and Profitability of the Commercial Banks**

(Rs. billion)

| Indicator | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 |
|---|---|---|---|---|---|
| **Revenue** | 15.08 | 18.86 | 20.11 | 28.63 | 32.08 |
| **Net Profit** | -3.31 | 3.71 | 4.47 | 3.23 | 5.68 |
| **Int. Spread (%)** | 3.93 | 4.06 | 4.02 | 5.31 | 4.96 |

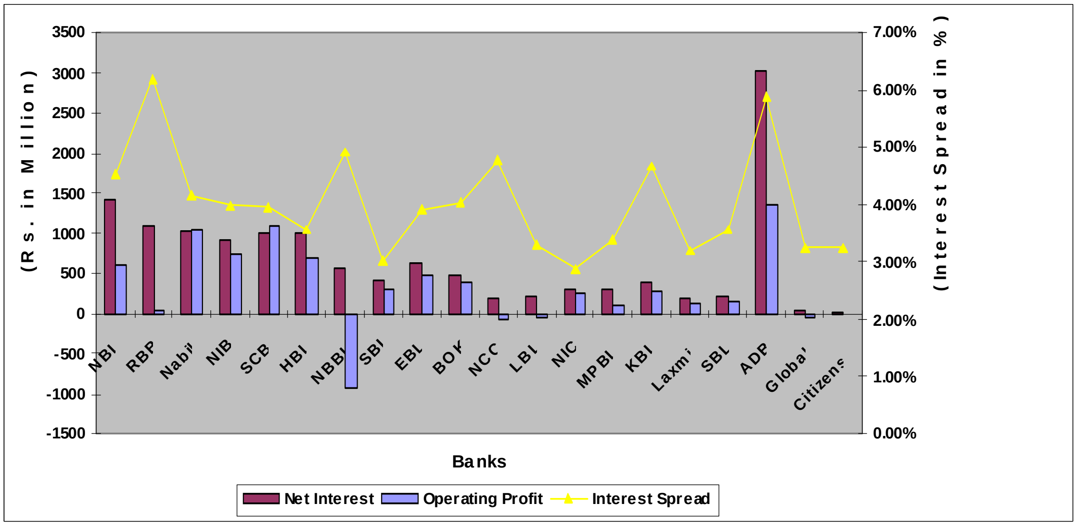
The revenue of the banks is dominated by the interest income, which contributes close to three quarters of the total revenue of the banks. During 2006/07, the total interest income of the banks was Rs.23.16 billion out of total revenue of Rs.32.08 billion, which amounts to 72.18 percent. Besides, the interest income, other major source of income is commission and discount, exchange income and other income.

**Figure 20: Components of Revenue**




The backbone of profitability is the net interest income of the banks, computed as the surplus of interest income over the interest expenses. All of the banks, during 2006/07, have been able to attain positive net interest income. The banks (except five banks) have also been able to post an operating profit, which is an effective measure of efficiency of bank operations however Nepal Bangladesh Bank Limited, Nepal Credit & Commerce Bank Limited, Lumbini Bank Limited, Global Bank limited and Citizens Bank International Limited have not able to earn operating profit during the year 2006/07. The maximum weighted average interest spread of a bank; during the year was 6.19 percent while the lowest was 2.87 percent.

**Figure 21: Operating Efficiency of Banks during the year 2006/07**




## 5.10 Liquidity

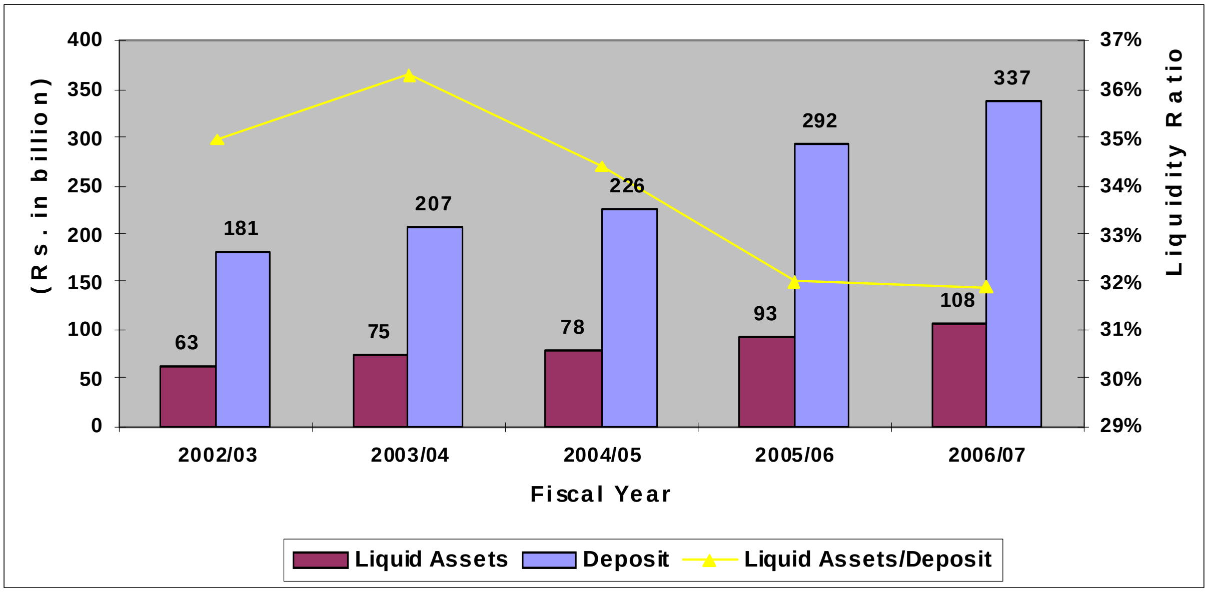
The banks should be able to honor the demand for payment by its depositors and other stakeholders. In order to do so, banks maintain certain volume of liquid assets, the size and volume determined by the bank's size of operations and the past trends. The banking industry's liquid assets (including the investment in government security) have registered a growth of 15.15 percent in 2006/07. The growth in the deposit liabilities and total assets of the industry, during the same period, has been 15.50 percent and 7.67 percent respectively. The proportion of liquid assets to total assets and total deposits, as on Mid July 2007, was 29.27 percent and 32 percent respectively.

**Table 17: Movement in the Liquid Assets of the Commercial Banks**

**(Rs. In billion)**

| Components | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 |
|---|---|---|---|---|---|
| Liquid Assets | 63 | 75 | 78 | 93 | 108 |
| Deposit | 181 | 207 | 226 | 292 | 337 |
| Liquid Assets/Deposit | 35% | 36% | 34% | 32% | 32% |

**Figure 22: Liquidity Position of the Nepalese Banking Industry**



# Chapter 6 Emerging Challenges in Banking Supervision

Bank supervisors like NRB have basically two main functions. One is to promote the soundness of financial institutions by requiring them to observe minimum standards of prudent business behavior. The second is to resolve the situation of financial institutions that have a life-threatening weakness. In both cases, the ultimate responsibility and accountability of the supervisor is to their depositors and not to the financial institution itself. While discharging the responsibilities, supervisory authorities in the world are facing many challenges. Furthermore, advances in technology, the ability of money to move around the globe at the speed of light, innovative products and services, interrelations among economies, and a larger participation by developing countries have made the world of finance a far more complex place.

The objective of prudential regulation and supervision is to develop a banking system that is safe and sound. This objective could be largely achieved by having banks hold only assets with as little risk as possible (e.g., only short-term government debt), but this would defeat another objective of the financial system to provide financial services to facilitate economic efficiency and growth, and to spread the benefits of growth as widely as possible, especially through appropriate lending policies and practices.

The NRB has been engaged in an ambitious reform of the banking system and has taken many positive steps to improve the regulatory framework and banking practices in this country. In discharging its duties it is, like any other supervisory authority across the globe, is facing various challenges. Some of the key challenges of present time are discussed below

## 6.1 Implementation of Basel II

Nepal Rastra Bank is well on its way to adopt a capital adequacy framework based on Basel II. The advanced approaches prescribed by the original document issued from BCBS have not been made use of in our context based on the suitability and our ability to implement such a framework. However, even the simplest of approaches undertaken are much complicated than the one that we are using right now. Despite the effort of the Nepal Rastra Bank to make the transition smooth through frequent interactions and discussions with the stakeholders many Banks are still unable to generate reliable returns. Besides computing their capital adequacy according to the new framework, the banks are required to undertake various activities in their respective banks towards creating a more robust risk management structure and practices. This is one area which is going to pose a serious challenge to the banks in the forthcoming days. The implementation of Basel II is not only challenging to banks but also to regulators. Our regulators and supervisors have to have the expertise to understand the provisions of the framework and make justifiable amendments in the banks capital adequacy computations in accordance with the appropriateness of the risk profile of the banks. Thus, implementation of Basel II is not only a challenge for now but for tomorrow as well.

## 6.2 Compliance of Basel Core Principles

To be fully complied with Basel Core Principles of Effective Banking Supervision is another challenge for Nepal Rastra Bank. Although supervisory practices and processes are always evolving and improving over time, it is helpful to subject supervisory arrangements to scrutiny against internationally accepted benchmarks, and to consider where improvements can be made. To be effective, any such assessment must be undertaken with a critical eye. It is too easy for supervisors to assert that existing arrangements represent best practice when closer analysis would reveal otherwise. After the self assessment, NRB has already devised an action plan to correct areas where we were found to be lacking. Some correctional actions require changes in the legislation while some only require changes in our supervisory practices. Some of the issues which could be addressed by NRB itself have already been resolved. Nevertheless to remedy all such deficiencies continues to be a challenge to us.

## 6.3 Expansion and Diversification of Banking services

Banks are gradually starting to realize that, in today's competitive banking environment, exemplary customer service is one of the distinguishing characteristics that banks can exploit to establish a competitive edge. Since most banks offer comparable products and services, they should continually search for a competitive advantage that will attract new customers and help them retain existing ones. Banks are therefore, looking to develop innovative products and services to maintain superior customer service levels while at the same time remaining profitable.

This drive to perform better than the competition encourages banks to undertake more risks which might be detrimental to the interest of the depositors, investors and the banking industry at large. Hence, supervisors have the challenge to remain vigilant about the developments in the industry and discourage excessive risk taking and unhealthy banking practices.

## 6.4 Expanding E-banking Transactions

Unlike the other field, world of IT is ever changing. There is continual increase in system complexity and standard of regulation. Financial institutions are moving with new innovations and new developments. These new innovations consequently bring new risk to the financial institutions. Supervisor should ensure that the financial systems are operating in sound and secure way. Hence it is essential to keep up with the development of the market while being proactive in formulating the regulatory framework.

Banks are now gradually shifting towards IT based solutions to enhance service delivery in order to address customer concerns. More and more banks are embracing E-banking and provision of ATMs to reduce long queues in banking hall. In addition, some of the banks have launched mobile phone banking services, which facilitates several account enquiry tools, including account balances, thereby, minimizing the need for customers to visit banking halls. This drive towards IT based solutions will continue to gather momentum in the future as banks will find it be very difficult to survive in the ever growing competition without some form of competitive advantage. The prudential regulator and supervisor of the future should be able to adapt its policies and processes to deal with evolution in the risks confronting regulated institutions.

## 6.5 Registration of Charges and Multi-banking

Lack of debt register for movable properties in Nepal is another challenge for supervisor. Earlier, borrowers used to provide immovable properties as collateral security for the facilities. The banks, then without stiff competition, also used to demand high quality of collaterals from the borrowers. Now, as the competition is rising, the borrowers are more assertive and the nature of security provided by them is movable. The volume of loans extended against the security of hypothecated assets is growing at a rapid pace. The borrowers availing such kind of facility tend to provide a written document stating that the goods are hypothecated to so and so bank. However, there is no concrete evidence that they are indeed hypothecated to the said bank, as, in Nepal, there was no legal provision regarding the registration of charges, unlike in other countries. In the present context, the borrower is also able to obtain finance from two or more than two banks, against the same security. Although, a Secured Transaction Act has been enacted the failure of the identification of the regulating agency has put its implementation on hold.

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## 6.6 Developments in the international market

There are new developments in the international markets every other day. Supervisors have to continuously update their knowledge about these developments. Bank supervisors all over the world share their knowledge and expertise in resolving various problems. This knowledge is important for supervisors form countries like us especially as they can be a source readymade solution to our various problems.

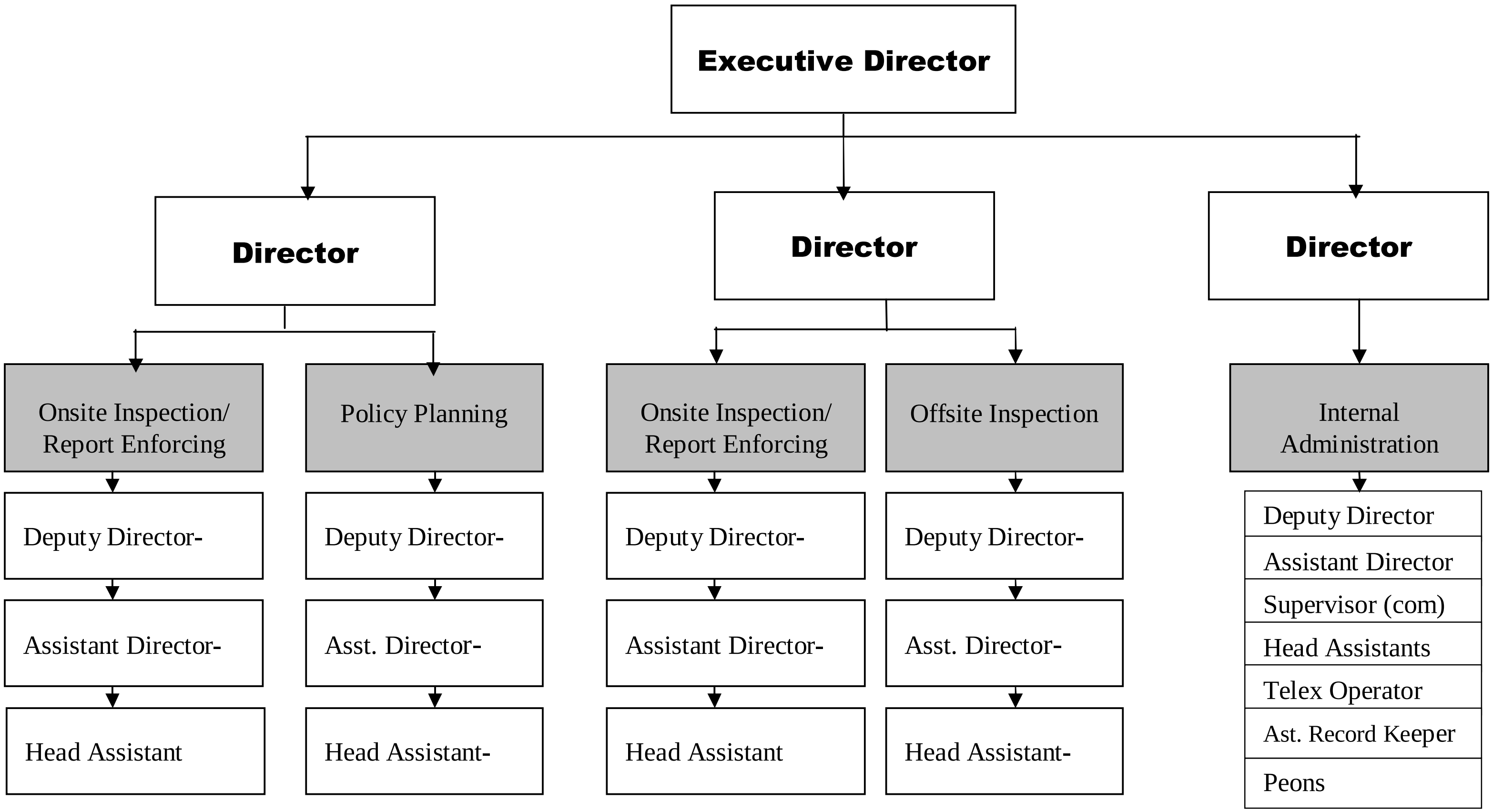
## 6.7 Enhancing Supervisory Capacity

The banking industry is continuously evolving and in order to deliver an effective supervision in such a scenario, it is vital that supervisors are competent and adept in their work. The dynamic state of banking epitomizes the importance of the competency and skills of the supervisor. Realizing this, Bank Supervision Department has been providing various prospects for honing the skills of the supervisors through participations in trainings, seminars both at national and international levels. The capacity building is a continuous exercise and efforts should be made to ensure that supervisors are not just adept to meet the challenge of today, but for tomorrow as well.

**Appendix 1:**
**Trainings and Seminars for Bank Supervisors in 2006/07**

| Program | Organizer | No. of Participant | Duration | Country |
|---|---|---|---|---|
| Seacen Research Project on Understanding and addressing the Pro-cyclicality Impact of Basel II in the Seacen country | Seacen Center | 1 | 6says | Malaysia |
| 9th Seacen conference of directors of Supervision | Seacen Center | 1 | 8days | Singapore |
| Research workshop on Comparison of Problem Bank Identification Intervention and Resolution in the Seacen Countries | Seacen Center | 1 | 5days | Malaysia |
| Bank Analysis and Examination | Federal Reserve System | 1 | 17days | USA |
| A study visit of Bank of Thailand and Bank of Cambodia | CST/NRB | 2 | 10days | Thailand |
| Regional Seminar on Risk-Focused Supervision | ADB | 2 | 12days | Indonesia |
| 13th SEACEN-FSI Regional Seminar for Bank Supervisors& Regulators | Seacen/NRB | 1 | 10days | Philippines |
| Regulatory and Supervisory Framework | AIT | 1 | 8days | Thailand |
| 2nd IMF-Seacen Course on Financial Markets and New Financial Instruments | Seacen Center | 1 | 17days | Malaysia |
| International Seminar on Basel II | RBI | 1 | 8days | India |
| Joint MAS-CCCBS Regional Course on Financial Stability & Financial Markets: Issues & Challenges | MAS | 1 | 8days | Singapore |
| Meeting on the Implementation of Basel II in Asia & Other Regional Supervisory Priorities | FSI-EMEAP | 1 | 5days | Hong Kong |
| Non-Performing Advances (NPAs) and Banking System Failure | CBA, CBSL | 2 | 6days | Srilanka |
| FSI seminar on using the core principles as a Road Map to Basel II Implementation | FSI | 1 | 9days | Switzerland |
| 4thMAS Regional Banking Supervisors Training Program | MAS | 1 | 18days | Singapore |
| IS Audit & IT Risk management | NIMB | 1 | 10days | India |
| Course on Financial Markets and New Financial Instruments | IMF | 1 | 16days | Singapore |
| Observation visit of NRB Staff to Reserve Bank of India | RBI/NRB | 1 | 9days | India |
| Observation Visit and KPMG | CSBL | 1 | 9days | Sri Lanka |
| Bank Management School | Federal Reserve Board | 1 | 18days | USA |

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



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

| Name of Agency | Web address |
|---|---|
| Australian Prudential Regulatory Authority | www.apra.gov.au |
| Asian Development Bank | www.adb.org |
| Association for financial professionals | www.afponline.org |
| American Bankers Association | www.aba.com |
| Association of German Banks | www.german-banks.com |
| Asian Clearing Union | www.asianclearingunion.org |
| Bank Administration Institute (BAI) | www.bai.org |
| Banking Federation of the European Union | www.fbe.be |
| Bank for International Settlement | www.bis.org |
| Bank Negara Malaysia | www.bnm.gov.my |
| Conference of State Bank Supervisors, USA | www.csbsdal.org |
| Canada Deposit Insurance Corporation | www.cdic.ca |
| China Banking Regulatory Commission | www.cbrc.gov.cn |
| European Committee for Banking Standards (ECBS) | www.ecbs.org |
| European Bank for Reconstruction and Development | www.ebrd.org |
| Financial Services Authority UK | www.fsa.gov.uk |
| Federal Reserve Board USA | www.federalreserve.gov |
| Federal Reserve Bank Boston | www.bos.frb.org |
| Federal Reserve Bank St. Louis | www.stls.frb.org |
| Federal Reserve Bank Kansas City | www.kc.frb.org |
| Federal Reserve Bank Philadelphia | www.phil.frb.org |
| Federal Reserve Bank Minneapolis | woodrow.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 |

**Appendix 4:**

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

1. Nepal Bank Limited

**(Rs. In '000')**

| **Capital and Liabilities** | **FY 2002-03** | **FY 2003-04** | **FY 2004-05** | **FY 2005-06** | **FY 2006-07** |
|---|---|---|---|---|---|
| Capital | 380,383 | 380,383 | 380,383 | 380,383 | 380,383 |
| Reserves and Surplus | (10,211,515) | (9,394,908) | (7,805,928) | (6,681,838) | (6,627,898) |
| Debenture & Bond | 0 | 0 | 0 | 0 | 0 |
| Borrowing | 52,010 | 0 | 1,247,065 | 1,717,442 | 1,604,868 |
| Deposit | 35,014,000 | 35,735,045 | 35,934,163 | 35,829,765 | 39,014,204 |
| Bills Payable | 141,311 | 31,427 | 417,788 | 100,984 | 60,726 |
| Proposed & Payable dividend | 1,128 | 1,124 | 1,121 | 1,115 | 2,083 |
| Tax Liabilities | 0 | 0 | 0 | 0 | 0 |
| Other Liabilities | 14,439,174 | 17,408,810 | 16,870,562 | 4,571,054 | 4,824,427 |
| **Total Liabilities** | **39,816,491** | **44,161,881** | **47,045,154** | **35,918,905** | **39,258,793** |
| Cash Balance | 1,416,545 | 1,010,231 | 1,069,614 | 1,110,953 | 1,086,067 |
| Balance with NRB | 2,649,311 | 4,232,386 | 4,508,554 | 5,353,964 | 5,224,859 |
| Balance with Banks | 529,313 | 618,452 | 581,170 | 709,140 | 806,367 |
| Money At call | 81,540 | 751,995 | 550,000 | 0 | 200,000 |
| Investment | 12,447,699 | 11,004,820 | 14,199,216 | 14,490,247 | 16,072,180 |
| Loan and Advances | 7,971,097 | 8,881,824 | 8,218,909 | 9,756,163 | 11,058,478 |
| Fixed Assets | 137,795 | 195,047 | 187,085 | 191,706 | 205,768 |
| Non- Banking Assets | **88,502** | **5,690** | **1,948** | **7,982** | 0 |
| Other Assets | 14,494,689 | 17,461,436 | 17,728,658 | 4,298,750 | 4,605,074 |
| **Total Assets** | **39,816,491** | **44,161,881** | **47,045,154** | **35,918,905** | **39,258,793** |
| Interest Income | 2,200,314 | 1,825,04 | 1,987,119 | 2,049,030 | 1,848,61 |
| Interest Expenses | 1,585,600 | 1,025,53 | 748,953 | 774,325 | 772,644 |
| **Net Interest Income** | **614,714** | **799,508** | **1,238,166** | **1,274,705** | **1,075,96** |
| Commission and discount | 280,137 | 231,916 | 188,421 | 177,784 | 181,019 |
| Other Operating Income | 9,774 | 101,590 | 134,725 | 140,843 | 287,648 |
| Exchange Income | 42,661 | 71,815 | 1,369 | 121,337 | 0 |
| **Total Operating Income** | **947,286** | **1,204,82** | **1,562,681** | **1,714,669** | **1,544,63** |
| Employees Expenses | 1,541,829 | 1,848,84 | 1,064,352 | 1,067,634 | 1,125,22 |
| Other Operating Expenses | 225,923 | 299,060 | 206,419 | 428,651 | 258,554 |
| Exchange Loss | 0 | 0 | 0 | 0 | 46,279 |
| **Operating Profit Before Provision** | **(820,466)** | **(943,077)** | **291,910** | **218,384** | **114,578** |
| Provisions for possible losses | 16,290 | 18,522 | 180,541 | 607,483 | 80,376 |
| **Operating Profit** | **(836,756)** | **(961,599)** | **111,369** | **(389,099)** | **34,202** |
| Non-Operating Income/ Expenses | 131,818 | 645,528 | 1,451,459 | 22,905 | 50,389 |
| Return From Loan Loss Provision | 453,207 | 1,105,39 | 408,199 | 1,813,642 | 0 |
| **Profit From Ordinary activities** | **(251,731)** | **789,323** | **1,971,027** | **1,447,448** | **84,591** |
| Extra ordinary Income /Expenses | 0 | 0 | (240,897) | (119,457) | 165,057 |
| **Net Profit including all** | **(251,731)** | **789,323** | **1,730,130** | **1,327,991** | **249,648** |
| Provision For Staff Bonus | 0 | 78,932 | 0 | 120,726 | 22,695 |
| Provision For Income Tax | 0 | 0 | 0 | 0 | **0** |
| -This Year | 0 | 0 | 0 | 0 | 0 |
| **Net Profit / Loss** | **(251,731)** | **710,391** | **1,730,130** | **1,207,265** | **226,953** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted | -29.75% | -25.91% | -19.54% | -32.09% | -32.46% |
| Capital Fund to Risk Weighted | -29.75% | -25.91% | -19.54% | -32.09% | -32.46% |
| Non-Performing Loan to Total Loan | 60.47% | 53.74% | 49.64% | 18.18% | 13.49% |
| Weighted Average Interest Spread | 2.94% | 3.16% | 4.40% | 3.16% | 4.51% |
| Net Interest Income (Rs. in million) | 615 | 800 | 1,238 | 1,275 | 1,076 |
| Return on Assets | -0.63% | 1.61% | 3.68% | 3.36% | 0.58% |
| Credit to Deposit | 51.79% | 50.20% | 46.94% | 34.72% | 35.33% |
| Liquid Assets to Total Assets | 42.27% | 38.96% | 38.23% | 65.69% | 51.53% |
| Liquid Assets to Total Deposit | 48.07% | 48.15% | 50.06% | 65.86% | 51.85% |

## 2. Rastriya Banijya Bank

(Rs. in '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 1,172,300 | 1,172,300 | 1,172,300 | 1,172,300 | 1,172,300 |
| Reserves and Surplus | (23,563,206) | (22,610,203) | (21,371,738) | (19,859,528) | (18,369,523 |
| Debenture & Bond | 0 | 0 | 0 | 0 | 0 |
| Borrowing | 161,950 | 79,966 | 4,217,813 | 4,357,727 | 2,219,603 |
| Deposit | 39,402,273 | 40,866,767 | 43,016,063 | 46,195,482 | 50,464,128 |
| Bills Payable | 16,421 | 24,486 | 39,718 | 40,721 | 63,707 |
| Proposed & Payable dividend | 15,740 | 23,610 | 31,480 | 39,350 | 47,220 |
| Tax Liabilities | 0 | 0 | 0 | 0 | 0 |
| Other Liabilities | 25,546,173 | 25,499,394 | 8,083,312 | 7,967,424 | 10,770,495 |
| **Total Liabilities** | **42,751,651** | **45,056,320** | **35,188,948** | **39,913,476** | **46,367,930** |
| Cash Balance | 1,019,318 | 1,007,240 | 1,621,786 | 1,202,152 | 1,897,763 |
| Balance with NRB | 1,865,849 | 5,599,263 | 3,325,243 | 3,867,105 | 3,708,616 |
| Balance with Banks | 850,822 | 412,587 | 606,165 | 159,565 | 428,022 |
| Money At call | 740,000 | 100,000 | 0 | 0 | 20,000 |
| Investment | 4,626,218 | 3,117,026 | 8,415,882 | 11,555,358 | 12,650,146 |
| Loan and Advances | 11,679,489 | 10,831,084 | 13,430,932 | 14,659,981 | 17,006,456 |
| Fixed Assets | 479,022 | 391,803 | 393,082 | 420,849 | 439,505 |
| Non- Banking Assets | **106,043** | **50,549** | **186,939** | **105,366** | 112,308 |
| Other Assets | 21,384,890 | 23,546,768 | 7,208,919 | 7,943,100 | 10,105,114 |
| **Total Assets** | **42,751,651** | **45,056,320** | **35,188,948** | **39,913,476** | **46,367,930** |
| Interest Income | 2,044,055 | 2,235,881 | 2,328,821 | 2,282,825 | 2,358,33 |
| Interest Expenses | 2,103,431 | 1,494,845 | 1,004,722 | 850,136 | 942,801 |
| **Net Interest Income** | **(59,376)** | **741,036** | **1,324,099** | **1,432,689** | **1,415,53** |
| Commission and discount | 211,484 | 309,803 | 287,753 | 289,578 | 343,486 |
| Other Operating Income | 84,234 | 146,384 | 115,669 | 109,675 | 284,775 |
| Exchange Income | 2,857 | 15,740 | 13,612 | 73,951 | 14,997 |
| **Total Operating Income** | **239,199** | **1,212,963** | **1,741,133** | **1,905,893** | **2,058,79** |
| Employees Expenses | 3,248,985 | 905,805 | 739,455 | 745,186 | 803,959 |
| Other Operating Expenses | 244,831 | 230,229 | 234,349 | 288,625 | 342,873 |
| Exchange Loss | 0 | 0 | 0 | 0 | 0 |
| **Operating Profit Before Provision** | **(3,254,617)** | **76,929** | **767,329** | **872,082** | **911,963** |
| Provisions for possible losses | 1,590,647 | 10,706 | 137,415 | 629,022 | 314,655 |
| **Operating Profit** | **(4,845,264)** | **66,223** | **629,914** | **243,060** | **597,308** |
| Non-Operating Income/ Expenses | 6,669 | 147,086 | 44,266 | 27,233 | 29,176 |
| Return From Loan Loss Provision | 0 | 910,000 | 719,841 | 1,515,763 | 1,210,13 |
| **Profit From Ordinary activities** | **(4,838,595)** | **1,123,309** | **1,394,021** | **1,786,056** | **1,836,61** |
| Extra ordinary Income /Expenses | 0 | 0 | (71,127) | (33,391) | (3,764) |
| **Net Profit including all activities** | **(4,838,595)** | **1,123,309** | **1,322,894** | **1,752,665** | **1,832,85** |
| Provision For Staff Bonus | 0 | 83,208 | | | 135,767 |
| Provision For Income Tax | 0 | 0 | 0 | 0 | **0** |
| -This Year | 0 | 0 | 0 | 0 | 0 |
| -Up to Last Year | 0 | 0 | 0 | 0 | 0 |
| **Net Profit / Loss** | **(4,838,595)** | **1,040,101** | **1,322,894** | **1,752,665** | **1,697,0** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted | -45.52% | -43.27% | -34.12% | -56.40% | -48.45% |
| Capital Fund to Risk Weighted | -45.52% | -43.27% | -34.12% | -56.40% | -48.45% |
| Non-Performing Loan to Total | 60.15% | 57.64% | 52.99% | 34.83% | 27.65% |
| Weighted Average Interest Spread | 0.90% | 3.39% | 4.91% | 5.81% | 6.19% |
| Net Interest Income (Rs. million) | -59 | 741 | 1,324 | 1,433 | 1,415 |
| Return on Assets | -11.32% | 2.31% | 2.33% | 4.32% | 3.66% |
| Credit to Deposit | 67.53% | 61.43% | 62.77% | 50.01% | 49.29% |
| Liquid Assets to Total Assets | 20.15% | 22.28% | 16.92% | 35.33% | 34.16% |
| Liquid Assets to Total Deposit | 21.86% | 24.56% | 13.84% | 30.53% | 31.38% |

## 3. Nabil Bank Limited

**(Rs. In '000')**

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 491,654 | 491,654 | 491,654 | 491,654 | 491,654 |
| Reserves and Surplus | 822,532 | 990,028 | 1,165,984 | 1,383,340 | 1,565,395 |
| Debenture & Bond | 0 | 0 | 0 | 0 | 0 |
| Borrowing | 961,461 | 229,660 | 17,062 | 173,202 | 882,573 |
| Deposit | 13,447,661 | 14,119,033 | 14,586,609 | 19,347,399 | 23,342,285 |
| Bills Payable | 108,944 | 173,499 | 119,753 | 112,607 | 83,515 |
| Proposed & Payable dividend | 339,969 | 536,450 | 361,221 | 435,084 | 509,418 |
| Tax Liabilities | 0 | 0 | 15,345 | 34,605 | 0 |
| Other Liabilities | 390,404 | 205,162 | 428,702 | 352,080 | 378,553 |
| **Total Liabilities** | **16,562,625** | **16,745,486** | **17,186,330** | **22,329,971** | **27,253,393** |
| Cash Balance | 187,777 | 286,886 | 146,353 | 237,819 | 270,407 |
| Balance With NRB | 892,747 | 606,695 | 389,705 | 318,359 | 1,113,415 |
| Bank Balance with Banks | 64,244 | 76,905 | 23,323 | 74,061 | 16,003 |
| Money At call | 670,204 | 918,733 | 868,428 | 1,734,902 | 563,533 |
| Investment | 6,031,176 | 5,835,948 | 4,267,233 | 6,178,533 | 8,945,311 |
| Loan and Advances | 7,755,950 | 8,189,993 | 10,586,170 | 12,922,543 | 15,545,779 |
| Fixed Assets | 251,915 | 338,126 | 361,235 | 319,086 | 286,895 |
| Non- Banking Assets | **0** | **0** | **0** | **0** | 0 |
| Other Assets | 708,612 | 492,200 | 543,883 | 544,668 | 512,050 |
| **Total Assets** | **16,562,625** | **16,745,486** | **17,186,330** | **22,329,971** | **27,253,393** |
| Interest Income | 1,017,872 | 1,001,617 | 1,068,747 | 1,309,999 | 1,587,75 |
| Interest Expenses | 317,348 | 282,948 | 243,544 | 357,161 | 555,710 |
| **Net Interest Income** | **700,524** | **718,669** | **825,203** | **952,838** | **1,032,04** |
| Commission and discount | 144,406 | 135,958 | 128,883 | 138,294 | 150,608 |
| Other Operating Income | 27,929 | 38,755 | 55,934 | 82,898 | 87,574 |
| Exchange Income | 144,075 | 157,324 | 184,879 | 185,484 | 209,926 |
| **Total Operating Income** | **1,016,934** | **1,050,706** | **1,194,899** | **1,359,513** | **1,480,157** |
| Employees Expenses | 210,583 | 180,840 | 199,516 | 219,781 | 240,161 |
| Other Operating Expenses | 166,200 | 150,759 | 190,299 | 182,696 | 188,183 |
| Exchange Loss | 0 | 0 | 0 | 0 | 0 |
| **Operating Profit Before** | **640,151** | **719,107** | **805,084** | **957,036** | **1,051,813** |
| Provisions for possible losses | 0 | 1,052 | 243,357 | 3,770 | 14,206 |
| **Operating Profit** | **640,151** | **718,055** | **561,727** | **953,266** | **1,037,607** |
| Non-Operating Income/ Expenses | 86,946 | 92,781 | 72,241 | 735 | 5,281 |
| Return From Loan Loss Provision | 6,222 | 0 | 0 | 7,729 | 10,926 |
| **Profit From Ordinary activities** | **733,319** | **810,836** | **633,968** | **961,730** | **1,053,814** |
| Extra ordinary Income /Expenses | (51,574) | (81,821) | (31,133) | 26,074 | 40,736 |
| **Net Profit indulging all activities** | **681,745** | **729,015** | **602,835** | **987,804** | **1,094,550** |
| Provision For Staff Bonus | 66,364 | 71,941 | 84,198 | 89,800 | 99,504 |
| Provision For Income Tax | 199,145 | 201,763 | 0 | 262,741 | **321,087** |
| -This Year | 0 | 0 | 0 | 262,563 | 314,527 |
| -Up to Last Year | 0 | 0 | 0 | 179 | 6,560 |
| **Net Profit / Loss** | **416,236** | **455,311** | **518,637** | **635,263** | **673,959** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted | 11.45% | 12.12% | 11.35% | 10.78% | 10.40% |
| Capital Fund to Risk Weighted | 13.05% | 13.56% | 12.00% | 12.31% | 12.04% |
| Non-Performing Loan to Total Loan | 5.54% | 3.35% | 1.32% | 1.38% | 1.12% |
| Weighted Average Interest Spread | 4.51% | 4.46% | 5.01% | 4.90% | 4.15% |
| Net Interest Income (Rs. in million) | 701 | 719 | 825 | 952 | 1,032 |
| Return on Assets | 2.51% | 2.72% | 3.02% | 3.23% | 2.47% |
| Credit to Deposit | 60.34% | 60.55% | 75.05% | 68.63% | 68.13% |
| Liquid Assets to Total Assets | 32.63% | 33.21% | 22.35% | 20.90% | 26.87% |
| Liquid Assets to Total Deposit | 40.18% | 39.39% | 26.34% | 24.12% | 31.37% |

## 4. Nepal Investment Bank Limited

(Rs. In '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 295,293 | 295,293 | 587,738 | 590,586 | 801,352 |
| Reserves and Surplus | 343,250 | 433,755 | 592,435 | 824,854 | 1,076,771 |
| Debenture & Bond | 0 | 0 | 0 | 550,000 | 800,000 |
| Borrowing | 6,829 | 361,500 | 350,000 | 0 | 0 |
| Deposit | 7,922,767 | 11,524,679 | 14,254,574 | 18,927,306 | 24,488,856 |
| Bills Payable | 31,634 | 57,836 | 15,008 | 18,820 | 32,401 |
| Proposed & Payable dividend | 59,059 | 44,294 | 79,353 | 121,627 | 43,650 |
| Tax Liabilities | 0 | 0 | 0 | 9,319 | 295 |
| Other Liabilities | 355,418 | 538,139 | 394,956 | 287,626 | 347,519 |
| **Total Liabilities** | **9,014,250** | **13,255,496** | **16,274,064** | **21,330,138** | **27,590,844** |
| Cash Balance | 200,971 | 315,383 | 374,266 | 562,560 | 763,984 |
| Balance With NRB | 450,478 | 545,620 | 780,244 | 1,526,067 | 1,381,352 |
| Bank Balance with Banks | 275,088 | 365,920 | 185,971 | 247,894 | 296,178 |
| Money At call | 40,000 | 310,000 | 140,000 | 70,000 | 362,970 |
| Investment | 1,705,241 | 3,862,483 | 3,934,189 | 5,602,869 | 6,505,680 |
| Loan and Advances | 5,772,141 | 7,130,125 | 10,126,056 | 12,776,208 | 17,286,427 |
| Fixed Assets | 191,116 | 249,788 | 320,592 | 343,450 | 759,456 |
| Non- Banking Assets | **46,359** | **24,650** | **1,537** | **0** | 1,125 |
| Other Assets | 332,856 | 451,527 | 411,209 | 201,090 | 233,672 |
| **Total Assets** | **9,014,250** | **13,255,496** | **16,274,064** | **21,330,138** | **27,590,844** |
| Interest Income | 459,510 | 731,403 | 886,800 | 1,172,742 | 1,584,987 |
| Interest Expenses | 189,214 | 326,202 | 354,549 | 490,947 | 685,530 |
| **Net Interest Income** | **270,296** | **405,201** | **532,251** | **681,795** | **899,457** |
| Commission and discount | 40,812 | 55,747 | 93,551 | 115,942 | 163,899 |
| Other Operating Income | 10,744 | 16,842 | 56,567 | 35,902 | 47,319 |
| Exchange Income | 50,834 | 87,980 | 102,518 | 125,748 | 135,355 |
| **Total Operating Income** | **372,686** | **565,770** | **784,887** | **959,387** | **1,246,030** |
| Employees Expenses | 61,288 | 89,749 | 97,004 | 111,054 | 145,371 |
| Other Operating Expenses | 108,039 | 149,479 | 182,915 | 200,215 | 243,430 |
| Exchange Loss | 0 | 0 | 0 | 0 | 0 |
| **Operating Profit Before Provision** | **203,359** | **326,542** | **504,968** | **648,118** | **857,229** |
| Provisions for possible losses | 30,335 | 91,092 | 140,409 | 103,808 | 129,719 |
| **Operating Profit** | **173,024** | **235,450** | **364,559** | **544,310** | **727,510** |
| Non-Operating Income/ Expenses | 488 | 1,768 | 6,192 | 391 | 1,426 |
| Return From Loan Loss Provision | 15,544 | 19,974 | 0 | 10,704 | 66,777 |
| **Profit From Ordinary activities** | **189,056** | **257,192** | **370,751** | **555,405** | **795,713** |
| Extra ordinary Income /Expenses | 0 | 0 | 0 | 0 | 0 |
| **Net Profit including all activities** | **189,056** | **257,192** | **370,751** | **555,405** | **795,713** |
| Provision For Staff Bonus | 18,906 | 25,719 | 37,075 | 50,491 | 72,337 |
| Provision For Income Tax | 53,332 | 78,802 | 101,529 | 154,378 | **221,977** |
| -This Year | 0 | 0 | 0 | 154,378 | 221,977 |
| -Up to Last Year | 0 | 0 | 0 | 0 | 0 |
| **Net Profit / Loss** | **116,818** | **152,671** | **232,147** | **350,536** | **501,399** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted Assets | 7.88% | 7.22% | 8.52% | 7.97% | 7.90% |
| Capital Fund to Risk Weighted Assets | 8.85% | 11.18% | 11.58% | 11.97% | 12.17% |
| Non-Performing Loan to Total Loan | 1.98% | 2.47% | 2.69% | 2.07% | 2.37% |
| Weighted Average Interest Spread | 4.80% | 5.98% | 4.30% | 3.90% | 3.99% |
| Net Interest Income (Rs. in million) | 270 | 405 | 532 | 681 | 899 |
| Return on Assets | 1.30% | 1.15% | 1.53% | 1.61% | 1.82% |
| Credit to Deposit | 74.74% | 63.68% | 73.33% | 69.63% | 72.56% |
| Liquid Assets to Total Assets | 15.16% | 26.69% | 21.07% | 23.11% | 21.92% |
| Liquid Assets to Total Deposit | 17.25% | 30.70% | 24.06% | 26.04% | 24.70% |

## 5. Standard Chartered Bank Nepal Limited

(Rs. In '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 339,549 | 374,640 | 374,640 | 374,640 | 413,255 |
| Reserves and Surplus | 1,029,359 | 1,121,099 | 1,207,775 | 1,379,498 | 1,703,098 |
| Debenture & Bond | 0 | 0 | 0 | 0 | 0 |
| Borrowing | 79,164 | 78,283 | 55,926 | 0 | 400,000 |
| Deposit | 18,755,634 | 21,161,442 | 19,335,095 | 23,061,032 | 24,647,021 |
| Bills Payable | 54,842 | 59,024 | 56,298 | 55,751 | 36,168 |
| Proposed & Payable dividend | 373,504 | 412,104 | 461,338 | 499,980 | 341,744 |
| Tax Liabilities | 0 | 0 | 0 | | 5,599 |
| Other Liabilities | 368,451 | 435,467 | 680,168 | 405,431 | 1,049,804 |
| **Total Liabilities** | **21,000,503** | **23,642,059** | **22,171,240** | **25,776,332** | **28,596,689** |
| Cash Balance | 198,755 | 187,705 | 195,459 | 279,511 | 378,423 |
| Balance With NRB | 1,141,097 | 1,534,170 | 692,191 | 749,741 | 1,613,758 |
| Bank Balance with Banks | 172,453 | 301,289 | 223,467 | 246,989 | 28,841 |
| Money At call | 1,657,910 | 2,218,599 | 2,259,691 | 1,977,271 | 1,761,151 |
| Investment | 10,357,679 | 11,360,328 | 9,702,553 | 12,847,536 | 13,553,233 |
| Loan and advances | 5,695,824 | 6,693,862 | 8,420,869 | 8,935,418 | 10,502,637 |
| Fixed Assets | 191,711 | 136,234 | 71,413 | 101,302 | 125,591 |
| Non- Banking Assets | **0** | **0** | **0** | **0** | 0 |
| Other Assets | 1,585,074 | 1,209,872 | 605,597 | 638,564 | 633,055 |
| **Total Assets** | **21,000,503** | **23,642,059** | **22,171,240** | **25,776,332** | **28,596,689** |
| Interest Income | 1,001,360 | 1,042,175 | 1,058,677 | 1,189,602 | 1,411,982 |
| Interest Expenses | 255,154 | 275,809 | 254,126 | 303,198 | 413,055 |
| **Net Interest Income** | **746,206** | **766,366** | **804,551** | **886,404** | **998,927** |
| Commission and discount | 215,201 | 198,947 | 184,830 | 222,929 | 221,207 |
| Other Operating Income | 24,119 | 26,531 | 29,293 | 25,442 | 28,785 |
| Exchange Income | 232,522 | 273,050 | 266,865 | 283,472 | 309,086 |
| **Total Operating Income** | **1,218,048** | **1,264,894** | **1,285,539** | **1,418,247** | **1,558,005** |
| Employees Expenses | 128,328 | 134,685 | 148,586 | 168,231 | 199,778 |
| Other Operating Expenses | 311,013 | 279,693 | 256,649 | 221,087 | 228,451 |
| Exchange Loss | 0 | 0 | 0 | 0 | 0 |
| **Operating Profit Before Provision** | **778,707** | **850,516** | **880,304** | **1,028,929** | **1,129,776** |
| Provisions for possible losses | 2,340 | 23,516 | 30,082 | 47,730 | 36,809 |
| **Operating Profit** | **776,367** | **827,000** | **850,222** | **981,200** | **1,092,967** |
| Non-Operating Income/ Expenses | (15,530) | (10,756) | 2,957 | 1,433 | 9,492 |
| Return From Loan Loss Provision | 30,401 | 43,304 | 33,652 | 53,090 | 20,160 |
| **Profit From Ordinary activities** | **791,238** | **859,548** | **886,831** | **1,035,723** | **1,122,619** |
| Extra ordinary Income /Expenses | 0 | 0 | 0 | (2,411) | (4,915) |
| **Net Profit including all activities** | **791,238** | **859,548** | **886,831** | **1,033,311** | **1,117,704** |
| Provision For Staff Bonus | 76,084 | 85,955 | 88,683 | 93,937 | 101,609 |
| Provision For Income Tax | 208,222 | 235,793 | 258,944 | 280,619 | **324,427** |
| -This Year | 0 | 0 | 0 | 274,505 | 315,427 |
| -Up to Last Year | 0 | 0 | 0 | 6,114 | 9,000 |
| **Net Profit / Loss** | **506,932** | **537,800** | **539,204** | **658,755** | **691,668** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted Assets | 12.31% | 14.14% | 14.25% | 12.99% | 13.77% |
| Capital Fund to Risk Weighted Assets | 14.21% | 15.99% | 16.36% | 14.91% | 15.71% |
| Non-Performing Loan to Total Loan | 4.13% | 3.77% | 2.69% | 2.13% | 1.83% |
| Weighted Average Interest Spread | 4.11% | 3.76% | 3.70% | 4.10% | 3.95% |
| Net Interest Income (Rs. in million) | 746 | 766 | 805 | 886 | 999 |
| Return on Assets | 2.41% | 2.27% | 2.43% | 2.56% | 2.42% |
| Credit to Deposit | 31.99% | 31.63% | 43.55% | 39.92% | 4.78% |
| Liquid Assets to Total Assets | 47.11% | 51.56% | 47.69% | 46.16% | 38.86% |
| Liquid Assets to Total Deposit | 52.75% | 57.60% | 54.69% | 51.60% | 45.08% |

## 6. Himalayan Bank Limited

**(Rs. In '000')**

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 480,429 | 536,250 | 643,500 | 772,200 | 810,810 |
| Reserves and Surplus | 582,704 | 782,271 | 915,190 | 993,975 | 1,335,690 |
| Debenture & Bond | 0 | 0 | 0 | 360,000 | 360,000 |
| Borrowing | 645,840 | 659,006 | 506,048 | 144,625 | 235,968 |
| Deposit | 21,007,379 | 22,010,333 | 24,814,012 | 26,490,851 | 30,048,418 |
| Bills Payable | 46,727 | 64,382 | 68,399 | 73,578 | 91,303 |
| Proposed & Payable dividend | 5,645 | 0 | 80,120 | 238,409 | 130,940 |
| Tax Liabilities | 0 | 0 | 3,251 | 0 | 11,913 |
| Other Liabilities | 586,499 | 709,783 | 832,364 | 386,751 | 494,099 |
| **Total Liabilities** | **23,355,223** | **24,762,025** | **27,862,884** | **29,460,389** | **33,519,141** |
| Cash Balance | 397,189 | 274,235 | 286,530 | 305,428 | 177,242 |
| Balance With NRB | 1,153,139 | 1,625,983 | 1,604,149 | 1,096,253 | 1,272,543 |
| Bank Balance with Banks | 428,880 | 100,966 | 123,792 | 315,671 | 307,556 |
| Money At call | 150,100 | 368,900 | 441,081 | 1,005,280 | 1,710,024 |
| Investment | 10,175,435 | 9,292,103 | 11,692,341 | 10,889,031 | 11,822,985 |
| Loan and Advances | 10,001,850 | 11,951,869 | 12,442,710 | 14,642,559 | 16,997,997 |
| Fixed Assets | 229,871 | 299,643 | 295,822 | 540,824 | 574,060 |
| Non- Banking Assets | **36,457** | **36,265** | **31,930** | **21,733** | 12,766 |
| Other Assets | 782,302 | 812,061 | 944,529 | 643,610 | 643,968 |
| **Total Assets** | **23,355,223** | **24,762,025** | **27,862,884** | **29,460,389** | **33,519,141** |
| Interest Income | 1,201,234 | 1,245,895 | 1,446,468 | 1,626,474 | 1,775,582 |
| Interest Expenses | 554,128 | 491,543 | 561,964 | 648,842 | 767,411 |
| **Net Interest Income** | **647,106** | **754,352** | **884,504** | **977,632** | **1,008,171** |
| Commission and discount | 102,561 | 123,929 | 132,816 | 165,448 | 193,224 |
| Other Operating Income | 30,154 | 34,076 | 41,300 | 52,324 | 40,329 |
| Exchange Income | 109,599 | 112,420 | 137,301 | 198,130 | 151,637 |
| **Total Operating Income** | **889,420** | **1,024,777** | **1,195,921** | **1,393,534** | **1,393,361** |
| Employees Expenses | 120,146 | 152,509 | 178,589 | 234,589 | 272,225 |
| Other Operating Expenses | 177,132 | 211,047 | 277,375 | 329,699 | 341,561 |
| Exchange Loss | 0 | 0 | 0 | | 0 |
| **Operating Profit Before Provision** | **592,142** | **661,221** | **739,957** | **829,246** | **779,575** |
| Provisions for possible losses | 202,873 | 197,214 | 55,709 | 145,154 | 90,689 |
| **Operating Profit** | **389,269** | **464,007** | **684,248** | **684,092** | **688,886** |
| Non-Operating Income/ Expenses | 10,760 | 3,299 | 2,795 | 1,887 | 3,493 |
| Return From Loan Loss Provision | 0 | 0 | 0 | 56,562 | 412,654 |
| **Profit From Ordinary activities** | **400,029** | **467,306** | **687,043** | **742,541** | **1,105,033** |
| Extra ordinary Income /Expenses | 0 | 0 | (88,253) | (2,902) | (315,890) |
| **Net Profit including all activities** | **400,029** | **467,306** | **598,790** | **739,639** | **789,143** |
| Provision For Staff Bonus | 40,003 | 46,730 | 59,879 | 67,240 | 71,740 |
| Provision For Income Tax | 147,896 | 157,522 | 213,692 | 214,941 | **225,580** |
| -This Year | 0 | 0 | 0 | 214,941 | 225,580 |
| -Up to Last Year | 0 | 0 | 0 | | 0 |
| **Net Profit / Loss** | **212,130** | **263,054** | **325,219** | **457,458** | **491,823** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted Assets | 7.14% | 7.66% | 8.42% | 8.65% | 9.61% |
| Capital Fund to Risk Weighted Assets | 11.03% | 10.62% | 11.10% | 11.26% | 12.11% |
| Non-Performing Loan to Total Loan | 10.08% | 8.88% | 7.44% | 6.60% | 3.61% |
| Weighted Average Interest Spread | 3.33% | 3.25% | 3.19% | 3.80% | 3.57% |
| Net Interest Income (Rs. in million) | 647 | 754 | 885 | 978 | 1,008 |
| Return on Assets | 0.91% | 1.06% | 1.17% | 1.55% | 1.47% |
| Credit to Deposit | 47.61% | 54.30% | 50.07% | 55.27% | 56.57% |
| Liquid Assets to Total Assets | 26.24% | 23.43% | 28.44% | 26.70% | 28.98% |
| Liquid Assets to Total Deposit | 29.17% | 26.36% | 3195.00% | 29.70% | 32.33% |

## 7. Nepal Bangladesh Bank Limited

(Rs. In '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 359,925 | 359,925 | 719,852 | 719,852 | 719,852 |
| Reserves and Surplus | 324,008 | 296,653 | (485,276) | (2,282,436) | (3,344,015) |
| Debenture & Bond | 0 | 0 | 0 | 0 | 0 |
| Borrowing | 68,319 | 67,225 | 0 | 71,000 | 230,000 |
| Deposit | 10,580,648 | 12,807,376 | 12,125,578 | 13,015,136 | 9,385,950 |
| Bills Payable | 63,929 | 150,924 | 41,662 | 44,109 | 39,410 |
| Proposed & Payable dividend | | 0 | 1,502 | 1,352 | 1,299 |
| Tax Liabilities | 0 | 0 | 0 | | 30,332 |
| Other Liabilities | 535,783 | 575,870 | 873,832 | 140,268 | 191,720 |
| **Total Liabilities** | **11,932,612** | **14,257,973** | **13,277,150** | **11,709,281** | **7,254,548** |
| Cash Balance | 309,790 | 352,153 | 300,849 | 354,456 | 391,687 |
| Balance With NRB | 508,265 | 829,861 | 794,166 | 1,157,838 | 614,431 |
| Bank Balance with Banks | 81,458 | 254,459 | 306,752 | 182,391 | 157,935 |
| Money At call | 100,000 | 0 | 0 | 30,029 | 50,000 |
| Investment | 2,168,923 | 2,699,166 | 2,411,720 | 2,661,833 | 1,034,560 |
| Loan and Advances | 7,247,978 | 8,648,744 | 7,787,690 | 6,460,246 | 4,409,013 |
| Fixed Assets | 80,734 | 191,178 | 189,307 | 172,325 | 140,807 |
| Non- Banking Assets | **467,937** | **270,340** | **270,340** | **205,466** | 111,925 |
| Other Assets | 967,527 | 1,012,072 | 1,216,326 | 484,697 | 344,190 |
| **Total Assets** | **11,932,612** | **14,257,973** | **13,277,150** | **11,709,281** | **7,254,548** |
| Interest Income | 1,013,712 | 1,095,501 | 876,508 | 758,132 | 982,196 |
| Interest Expenses | 597,881 | 625,362 | 547,943 | 518,094 | 432,219 |
| **Net Interest Income** | **415,831** | **470,139** | **328,565** | **240,038** | **549,977** |
| Commission and discount | 109,046 | 105,058 | 92,998 | 85,298 | 85,219 |
| Other Operating Income | 64,771 | 63,152 | 73,997 | 47,846 | 117,653 |
| Exchange Income | 56,300 | 56,160 | 39,671 | 63,957 | 40,962 |
| **Total Operating Income** | **645,948** | **694,509** | **535,231** | **437,139** | **793,811** |
| Employees Expenses | 69,897 | 76,624 | 95,884 | 140,662 | 112,547 |
| Other Operating Expenses | 101,404 | 113,762 | 161,344 | 119,905 | 114,325 |
| Exchange Loss | 0 | 0 | 0 | 0 | 0 |
| **Operating Profit Before Provision** | **474,647** | **504,123** | **278,003** | **176,572** | **566,939** |
| Provisions for possible losses | 261,875 | 400,733 | 905,153 | 1,882,278 | 1,502,798 |
| **Operating Profit** | **212,772** | **103,390** | **(627,150)** | **(1,705,706)** | **(935,859)** |
| Non-Operating Income/ Expenses | 0 | 7,324 | (22,393) | (11,105) | 24,200 |
| Return From Loan Loss Provision | 0 | 0 | 0 | 271,575 | 34,277 |
| **Profit From Ordinary activities** | **212,772** | **110,714** | **(649,543)** | **(1,445,236)** | **(877,382)** |
| Extra ordinary Income /Expenses | 0 | 0 | 0 | (271,575) | 0 |
| **Net Profit including all activities** | **212,772** | **110,714** | **(649,543)** | **(1,716,811)** | **(877,382)** |
| Provision For Staff Bonus | 21,277 | 11,071 | 0 | | 0 |
| Provision For Income Tax | 120,000 | 97,000 | 100,000 | 80,348 | **184,198** |
| -This Year | 0 | 0 | 0 | 71,290 | 184,198 |
| -Up to Last Year | 0 | 0 | 0 | 9,058 | 0 |
| **Net Profit / Loss** | **71,495** | **2,643** | **(749,543)** | **(1,797,159)** | **(1,061,580)** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted Assets | 6.22% | 4.65% | 1.51% | -13.23% | -23.55% |
| Capital Fund to Risk Weighted Assets | 8.11% | 5.61% | 3.02% | -13.23% | -23.55% |
| Non-Performing Loan to Total Loan | 12.73% | 10.81% | 19.04% | 29.88% | 39.76% |
| Weighted Average Interest Spread | 4.74% | 4.47% | 2.84% | 2.10% | 4.90% |
| Net Interest Income (Rs. in million) | 416 | 470 | 329 | 240 | 550 |
| Return on Assets | 0.60% | 0.02% | -5.65% | -14.86% | -14.63% |
| Credit to Deposit | 75.25% | 75.31% | 79.39% | 75.27% | 97.69% |
| Liquid Assets to Total Assets | 25.48% | 28.16% | 27.22% | 36.30% | 27.87% |
| Liquid Assets to Total Deposit | 28.73% | 31.35% | 29.81% | 32.65% | 21.54% |

## 8. Nepal SBI Bank Limited

(Rs. In '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 425,157 | 426,876 | 431,866 | 640,236 | 647,798 |
| Reserves and Surplus | 144,695 | 199,761 | 257,147 | 342,137 | 515,492 |
| Debenture & Bond | 0 | 0 | 0 | 200,000 | 200,000 |
| Borrowing | 65,826 | 117,178 | 469,629 | 612,428 | 815,365 |
| Deposit | 6,522,817 | 7,198,327 | 8,654,774 | 11,002,041 | 11,445,286 |
| Bills Payable | 0 | 0 | 31,123 | 46,239 | 48,856 |
| Proposed & Payable dividend | 34,013 | 0 | 3,878 | 35,470 | 91,024 |
| Tax Liabilities | 0 | 0 | 0 | 0 | 0 |
| Other Liabilities | 373,819 | 498,264 | 496,956 | 157,288 | 137,379 |
| **Total Liabilities** | **7,566,327** | **8,440,406** | **10,345,373** | **13,035,839** | **13,901,200** |
| Cash Balance | 269,659 | 161,222 | 143,750 | 244,188 | 287,530 |
| Balance With NRB | 894,124 | 580,453 | 390,026 | 626,123 | 556,678 |
| Bank Balance with Banks | 169,751 | 122,752 | 189,969 | 247,847 | 278,481 |
| Money At call | 0 | 0 | 123,112 | 363,200 | 350,000 |
| Investment | 1,207,275 | 1,907,521 | 2,607,680 | 3,610,775 | 2,659,453 |
| Loan and Advances | 4,468,719 | 5,143,662 | 6,213,879 | 7,626,736 | 9,460,451 |
| Fixed Assets | 71,034 | 62,350 | 66,452 | 66,712 | 97,219 |
| Non- Banking Assets | **72,839** | **14,820** | **7,255** | **24,556** | 3,847 |
| Other Assets | 412,926 | 447,626 | 603,250 | 225,702 | 207,541 |
| **Total Assets** | **7,566,327** | **8,440,406** | **10,345,373** | **13,035,839** | **13,901,200** |
| Interest Income | 469,740 | 493,598 | 578,372 | 708,719 | 831,117 |
| Interest Expenses | 291,820 | 255,919 | 258,430 | 334,770 | 412,262 |
| **Net Interest Income** | **177,920** | **237,679** | **319,942** | **373,949** | **418,855** |
| Commission and discount | 29,962 | 30,667 | 42,568 | 40,754 | 52,591 |
| Other Operating Income | 5,495 | 8,220 | 11,275 | 7,136 | 12,601 |
| Exchange Income | 18,510 | 30,616 | 32,357 | 43,060 | 49,464 |
| **Total Operating Income** | **231,887** | **307,182** | **406,142** | **464,899** | **533,511** |
| Employees Expenses | 33,731 | 32,510 | 37,582 | 50,539 | 53,232 |
| Other Operating Expenses | 77,365 | 82,180 | 90,629 | 99,214 | 120,112 |
| Exchange Loss | 0 | 0 | 0 | 0 | 0 |
| **Operating Profit Before Provision** | **120,791** | **192,492** | **277,931** | **315,146** | **360,167** |
| Provisions for possible losses | 84,173 | 118,725 | 193,243 | 146,657 | 59,377 |
| **Operating Profit** | **36,618** | **73,767** | **84,688** | **168,489** | **300,790** |
| Non-Operating Income/ Expenses | (2,093) | (570) | 1,443 | (2,926) | (257) |
| Return From Loan Loss Provision | 42,201 | 48,505 | 52,973 | 54,178 | 78,515 |
| **Profit From Ordinary activities** | **76,726** | **121,702** | **139,104** | **219,741** | **379,048** |
| Extra ordinary Income /Expenses | 0 | 0 | | 0 | 0 |
| **Net Profit including all activities** | **76,726** | **121,702** | **139,104** | **219,741** | **379,048** |
| Provision For Staff Bonus | 7,673 | 12,170 | 13,910 | 19,976 | 34,459 |
| Provision For Income Tax | 20,305 | 48,680 | 67,807 | 82,762 | **89,681** |
| -This Year | 0 | 0 | 67,807 | 66,120 | 86,704 |
| -Up to Last Year | 0 | 0 | 0 | 16,642 | 2,977 |
| **Net Profit / Loss** | **48,748** | **60,852** | **57,387** | **117,003** | **254,908** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted Assets | 10.16% | 9.47% | 8.68% | 10.53% | 10.53% |
| Capital Fund to Risk Weighted Assets | 12.34% | 10.95% | 9.47% | 13.57% | 13.29% |
| Non-Performing Loan to Total Loan | 8.90% | 6.25% | 6.54% | 6.13% | 4.56% |
| Weighted Average Interest Spread | 3.23% | 3.55% | 3.68% | 3.33% | 3.01% |
| Net Interest Income (Rs. in million) | 178 | 238 | 319 | 374 | 418 |
| Return on Assets | 0.64% | 0.72% | 0.55% | 0.90% | 1.83% |
| Credit to Deposit | 73.52% | 76.85% | 77.87% | 74.91% | 82.66% |
| Liquid Assets to Total Assets | 33.34% | 32.63% | 33.20% | 38.92% | 29.50% |
| Liquid Assets to Total Deposit | 38.68% | 38.26% | 39.69% | 46.11% | 35.82% |

## 9. Everest Bank Limited

(Rs. In '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 455,000 | 455,000 | 455,000 | 518,000 | 518,000 |
| Reserves and Surplus | 157,825 | 225,319 | 314,617 | 444,808 | 683,515 |
| Debenture & Bond | 0 | 0 | 0 | 300,000 | 300,000 |
| Borrowing | 0 | 0 | 300,000 | | 0 |
| Deposit | 6,694,964 | 8,063,902 | 10,097,69 | 13,802,445 | 18,186,254 |
| Bills Payable | 22,101 | 22,027 | 17,778 | 15,806 | 26,776 |
| Proposed & Payable dividend | 0 | 0 | 23,527 | 114,667 | 68,146 |
| Tax Liabilities | 329 | 11,249 | 3,312 | | 15,278 |
| Other Liabilities | 721,990 | 831,074 | 580,201 | 763,559 | 1,634,605 |
| **Total Liabilities** | **8,052,209** | **9,608,571** | **11,792,126** | **15,959,285** | **21,432,574** |
| Cash Balance | 136,659 | 128,757 | 192,590 | 259,347 | 534,997 |
| Balance With NRB | 730,331 | 442,243 | 779,669 | 1,139,515 | 1,178,198 |
| Bank Balance with Banks | 272,579 | 60,804 | 77,730 | 154,105 | 678,225 |
| Money At call | 0 | 187,445 | 570,000 | 66,960 | 0 |
| Investment | 1,653,978 | 2,535,658 | 2,128,932 | 4,200,515 | 4,984,315 |
| Loan and Advances | 4,908,461 | 5,884,124 | 7,618,670 | 9,801,308 | 13,664,082 |
| Fixed Assets | 109,591 | 118,374 | 134,068 | 152,090 | 170,097 |
| Non- Banking Assets | **51,103** | **21,015** | **24,571** | **7,437** | 0 |
| Other Assets | 189,507 | 230,151 | 265,896 | 178,008 | 222,660 |
| **Total Assets** | **8,052,209** | **9,608,571** | **11,792,126** | **15,959,285** | **21,432,574** |
| Interest Income | 520,173 | 657,249 | 719,298 | 903,411 | 1,144,408 |
| Interest Expenses | 307,639 | 316,366 | 299,566 | 401,397 | 517,166 |
| **Net Interest Income** | **212,534** | **340,883** | **419,732** | **502,014** | **627,242** |
| Commission and discount | 61,504 | 74,331 | 78,130 | 96,839 | 117,718 |
| Other Operating Income | 20,198 | 23,818 | 31,479 | 48,902 | 67,967 |
| Exchange Income | 32,208 | 27,794 | 27,078 | 14,398 | 28,405 |
| **Total Operating Income** | **326,444** | **466,826** | **556,419** | **662,153** | **841,332** |
| Employees Expenses | 37,368 | 48,530 | 60,597 | 70,925 | 86,118 |
| Other Operating Expenses | 93,585 | 101,571 | 129,067 | 143,562 | 177,546 |
| Exchange Loss | 0 | 0 | 0 | | 0 |
| **Operating Profit Before Provision** | **195,491** | **316,725** | **366,755** | **447,666** | **577,668** |
| Provisions for possible losses | 45,746 | 84,017 | 88,927 | 70,466 | 89,696 |
| **Operating Profit** | **149,745** | **232,708** | **277,828** | **377,200** | **487,972** |
| Non-Operating Income/ Expenses | 1,249 | 1,867 | 2,974 | 2,959 | 1,315 |
| Return From Loan Loss Provision | 0 | 0 | 0 | | 11,687 |
| **Profit From Ordinary activities** | **150,994** | **234,575** | **280,802** | **380,159** | **500,974** |
| Extra ordinary Income /Expenses | 0 | 0 | 0 | | (795) |
| **Net Profit including all activities** | **150,994** | **234,575** | **280,802** | **380,159** | **500,179** |
| Provision For Staff Bonus | 15,099 | 23,457 | 28,080 | 34,560 | 45,471 |
| Provision For Income Tax | 41,714 | 67,551 | 81,914 | 108,309 | **158,299** |
| -This Year | 0 | 0 | 0 | 106,753 | 144,368 |
| -Up to Last Year | 0 | 0 | 0 | 1,556 | 13,931 |
| **Net Profit / Loss** | **94,181** | **143,567** | **170,808** | **237,290** | **296,409** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted Assets | 11.60% | 9.58% | 8.87% | 8.21% | 7.80% |
| Capital Fund to Risk Weighted Assets | 13.10% | 11.07% | 13.54% | 12.32% | 11.20% |
| Non-Performing Loan to Total Loan | 2.20% | 1.72% | 1.63% | 1.27% | 0.80% |
| Weighted Average Interest Spread | 2.61% | 3.98% | 4.10% | 3.99% | 3.90% |
| Net Interest Income (Rs. in million) | 213 | 341 | 420 | 502 | 627 |
| Return on Assets | 1.17% | 1.49% | 1.41% | 1.49% | 1.40% |
| Credit to Deposit | 75.42% | 75.59% | 78.24% | 73.40% | 75.13% |
| Liquid Assets to Total Assets | 34.01% | 34.20% | 30.81% | 32.39% | 37.49% |
| Liquid Assets to Total Deposit | 40.91% | 40.75%S | 36.84% | 37.45% | 44.18% |

## 10. Bank of Kathmandu Limited

(Rs. In '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 463,581 | 463,581 | 463,581 | 463,581 | 603,141 |
| Reserves and Surplus | 115,552 | 187,164 | 257,157 | 376,153 | 378,837 |
| Debenture & Bond | 0 | 0 | 0 | 200,000 | 200,000 |
| Borrowing | 498,236 | 912,150 | 6,000 | 553,180 | 730,000 |
| Deposit | 6,170,712 | 7,741,644 | 8,942,748 | 10,485,359 | 12,388,927 |
| Bills Payable | 35,144 | 38,709 | 19,874 | 11,622 | 25,777 |
| Proposed & Payable dividend | 23,179 | 46,358 | 81,477 | 98,712 | 135,575 |
| Tax Liabilities | 0 | 0 | 0 | 0 | 0 |
| Other Liabilities | 138,413 | 106,737 | 86,293 | 89,722 | 107,841 |
| **Total Liabilities** | **7,444,817** | **9,496,343** | **9,857,130** | **12,278,329** | **14,570,098** |
| Cash Balance | 157,400 | 139,220 | 161,470 | 184,020 | 219,043 |
| Balance With NRB | 362,393 | 449,864 | 417,867 | 349,296 | 883,496 |
| Bank Balance with Banks | 172,918 | 193,798 | 161,184 | 195,382 | 213,365 |
| Money At call | 30,350 | 272,321 | 328,874 | 594,047 | 259,278 |
| Investment | 1,816,149 | 2,477,409 | 2,598,253 | 3,374,712 | 2,992,434 |
| Loan and Advances | 4,542,700 | 5,646,698 | 5,912,579 | 7,259,083 | 9,399,328 |
| Fixed Assets | 93,642 | 83,625 | 95,231 | 110,745 | 320,846 |
| Non- Banking Assets | **88,502** | **25,483** | **24,088** | **7,356** | 3,626 |
| Other Assets | 180,763 | 207,925 | 157,584 | 203,688 | 278,682 |
| **Total Assets** | **7,444,817** | **9,496,343** | **9,857,130** | **12,278,329** | **14,570,098** |
| Interest Income | 496,809 | 567,096 | 607,096 | 718,121 | 819,004 |
| Interest Expenses | 276,705 | 286,297 | 241,639 | 308,156 | 339,181 |
| **Net Interest Income** | **220,104** | **280,799** | **365,457** | **409,966** | **479,823** |
| Commission and discount | 60,746 | 77,708 | 70,324 | 70,776 | 97,431 |
| Other Operating Income | 1,237 | 1,966 | 6,495 | 16,968 | 19,003 |
| Exchange Income | 67,444 | 64,046 | 72,115 | 78,955 | 80,826 |
| **Total Operating Income** | **349,531** | **424,519** | **514,390** | **576,665** | **677,083** |
| Employees Expenses | 51,682 | 47,726 | 53,822 | 59,120 | 69,740 |
| Other Operating Expenses | 89,547 | 85,829 | 99,190 | 117,591 | 138,430 |
| Exchange Loss | 0 | 0 | 0 | 0 | 0 |
| **Operating Profit Before Provision** | **208,302** | **290,964** | **361,378** | **399,954** | **468,913** |
| Provisions for possible losses | 82,612 | 101,263 | 133,917 | 78,381 | 81,895 |
| **Operating Profit** | **125,690** | **189,701** | **227,462** | **321,573** | **387,018** |
| Non-Operating Income/ Expenses | 23 | 15,460 | (469) | 1,090 | (2,780) |
| Return From Loan Loss Provision | 10,000 | 0 | 209,129 | 103,871 | 37,104 |
| **Profit From Ordinary activities** | **135,713** | **205,161** | **436,122** | **426,535** | **421,342** |
| Extra ordinary Income /Expenses | 0 | 0 | (209,129) | (95,205) | 411 |
| **Net Profit including all activities** | **135,713** | **205,161** | **226,993** | **331,329** | **421,753** |
| Provision For Staff Bonus | 13,571 | 20,516 | 22,700 | 30,121 | 38,341 |
| Provision For Income Tax | 40,014 | 57,172 | 64,763 | 98,768 | **121,025** |
| -This Year | 0 | 0 | 64,763 | 93,236 | 115,425 |
| -Up to Last Year | 0 | 0 | 0 | 5,532 | 5,600 |
| **Net Profit / Loss** | **82,128** | **127,473** | **139,530** | **202,441** | **262,387** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted Assets | 10.44% | 10.14% | 10.23% | 10.71% | 9.32% |
| Capital Fund to Risk Weighted Assets | 12.05% | 11.18% | 11.22% | 14.52% | 12.38% |
| Non-Performing Loan to Total Loan | 8.67% | 6.66% | 4.99% | 2.72% | 2.51% |
| Weighted Average Interest Spread | 3.33% | 3.41% | 3.69% | 3.37% | 4.04% |
| Net Interest Income (Rs. in million) | 220 | 281 | 365 | 409 | 479 |
| Return on Assets | 1.10% | 1.34% | 1.42% | 1.65% | 1.80% |
| Credit to Deposit | 78.69% | 77.61% | 69.13% | 71.42% | 78.25% |
| Liquid Assets to Total Assets | 30.00% | 36.09% | 32.63% | 32.42% | 26.72% |
| Liquid Assets to Total Deposit | 36.20% | 44.27% | 35.96% | 37.97% | 31.42% |

## 11. Nepal Credit and Commerce Bank Limited

**(Rs. In '000)**

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 490,000 | 595,000 | 693,554 | 698,415 | 699,117 |
| Reserves and Surplus | (411,176) | (407,767) | (437,707) | (1,007,452) | (1,209,453) |
| Debenture & Bond | 0 | 0 | 0 | 0 | 0 |
| Borrowing | 19,747 | 13,500 | 0 | 13,600 | 0 |
| Deposit | 4,294,098 | 5,987,701 | 6,630,943 | 6,619,581 | 6,500,343 |
| Bills Payable | 21,613 | 16,568 | 5,893 | 63,605 | 14,509 |
| Proposed & Payable dividend | 0 | 0 | 0 | 0 | 0 |
| Tax Liabilities | 23,113 | 0 | 0 | 0 | 0 |
| Other Liabilities | 395,210 | 455,786 | 592,603 | 39,951 | 32,160 |
| **Total Liabilities** | **4,832,605** | **6,660,788** | **7,485,286** | **6,427,700** | **6,036,676** |
| Cash Balance | 236,403 | 209,687 | 151,354 | 230,561 | 265,782 |
| Balance With NRB | 363,198 | 550,556 | 441,010 | 478,205 | 255,573 |
| Bank Balance with Banks | 70,665 | 210,142 | 70,338 | 75,190 | 236,808 |
| Money At call | 113,019 | 54,448 | 47,944 | 21,100 | 75,665 |
| Investment | 411,832 | 573,984 | 400,337 | 591,644 | 1,236,621 |
| Loan and Advances | 2,997,258 | 4,271,634 | 5,419,735 | 4,643,262 | 3,707,642 |
| Fixed Assets | 114,098 | 122,025 | 124,027 | 111,837 | 104,233 |
| Non- Banking Assets | **130,609** | **87,073** | **57,484** | **72,617** | 46,556 |
| Other Assets | 395,523 | 581,239 | 773,057 | 203,284 | 107,796 |
| **Total Assets** | **4,832,605** | **6,660,788** | **7,485,286** | **6,427,700** | **6,036,67** |
| Interest Income | 437,180 | 486,826 | 541,855 | 562,780 | 474,408 |
| Interest Expenses | 255,911 | 314,272 | 315,800 | 315,991 | 283,006 |
| **Net Interest Income** | **181,269** | **172,554** | **226,055** | **246,789** | **191,402** |
| Commission and discount | 17,034 | 33,679 | 37,866 | 37,470 | 31,773 |
| Other Operating Income | 9,031 | 24,088 | 26,134 | 20,098 | 36,257 |
| Exchange Income | 477 | 1,233 | 10,552 | 13,773 | 5,940 |
| **Total Operating Income** | **207,811** | **231,554** | **300,607** | **318,130** | **265,372** |
| Employees Expenses | 23,088 | 33,470 | 39,222 | 48,178 | 56,156 |
| Other Operating Expenses | 52,548 | 67,525 | 76,595 | 69,829 | 89,623 |
| Exchange Loss | 0 | 0 | 6,663 | | 0 |
| **Operating Profit Before Provision** | **132,175** | **130,559** | **178,127** | **200,123** | **119,593** |
| Provisions for possible losses | 37,431 | 124,591 | 165,580 | 782,710 | 206,867 |
| **Operating Profit** | **94,744** | **5,968** | **12,547** | **(582,587)** | **(87,274)** |
| Non-Operating Income/ Expenses | | 750 | (1,819) | 4,686 | 2,913 |
| Return From Loan Loss Provision | 0 | 0 | 0 | 95,783 | 50,901 |
| **Profit From Ordinary activities** | **94,744** | **6,718** | **10,728** | **(482,118)** | **(33,460)** |
| Extra ordinary Income /Expenses | 0 | 0 | 0 | (72,144) | (42,420) |
| **Net Profit including all activities** | **94,744** | **6,718** | **10,728** | **(554,262)** | **(75,880)** |
| Provision For Staff Bonus | 9,474 | 672 | 0 | 0 | 0 |
| Provision For Income Tax | 3,470 | 2,637 | 15,885 | 15,483 | **40,049** |
| -This Year | 0 | 0 | 15,885 | 15,483 | 40,049 |
| -Up to Last Year | 0 | 0 | | | 0 |
| **Net Profit / Loss** | **81,800** | **3,409** | **(5,157)** | **(569,745)** | **(115,929)** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted Assets | 1.90% | 2.85% | 3.48% | -5.05% | 1.42% |
| Capital Fund to Risk Weighted Assets | 6.51% | 3.42% | 5.51% | -5.05% | 2.35% |
| Non-Performing Loan to Total Loan | 20.63% | 12.72% | 8.64% | 21.87% | 20.60% |
| Weighted Average Interest Spread | 4.76% | 4.37% | 4.29% | 4.25% | 4.76% |
| Net Interest Income (Rs. in million) | 181 | 173 | 226 | 247 | 191 |
| Return on Assets | 1.69% | 0.05% | -0.07% | -7.72% | -1.92% |
| Credit to Deposit | 79.09% | 78.78% | 90.66% | 89.12% | 79.09% |
| Liquid Assets to Total Assets | 22.73% | 23.07% | 13.83% | 20.64% | 33.00% |
| Liquid Assets to Total Deposit | 25.58% | 25.67% | 15.61% | 20.04% | 30.65% |

## 12. Lumbini Bank Limited

(Rs. In '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 350,000 | 350,000 | 500,000 | 500,000 | 600,000 |
| Reserves and Surplus | (72,151) | (53,512) | (254,991) | (1,222,070) | (1,029,665) |
| Debenture & Bond | 0 | 0 | 0 | 0 | 0 |
| Borrowing | 90,000 | 164,719 | 0 | 0 | 23,514 |
| Deposit | 2,959,745 | 3,777,605 | 4,031,221 | 4,786,440 | 6,024,598 |
| Bills Payable | 10,684 | 4,574 | 60,517 | 104,585 | 14,260 |
| Proposed & Payable dividend | 0 | 0 | 0 | 0 | 0 |
| Tax Liabilities | 0 | 0 | 7,496 | 0 | 0 |
| Other Liabilities | 101,890 | 120,818 | 150,658 | 90,388 | 72,318 |
| **Total Liabilities** | **3,440,168** | **4,364,204** | **4,494,901** | **4,259,343** | **5,705,025** |
| Cash Balance | 83,853 | 114,709 | 103,231 | 133,384 | 138,478 |
| Balance With NRB | 185,717 | 324,765 | 267,601 | 178,329 | 280,521 |
| Bank Balance with Banks | 63,995 | 91,658 | 48,181 | 90,421 | 81,808 |
| Money At call | 50,000 | 30,000 | 0 | 50,000 | 295,605 |
| Investment | 382,750 | 558,187 | 535,184 | 673,720 | 864,337 |
| Loan and Advances | 2,441,639 | 2,980,398 | 3,167,724 | 2,983,895 | 3,840,687 |
| Fixed Assets | 37,240 | 40,079 | 48,345 | 41,996 | 42,701 |
| Non- Banking Assets | **32,643** | **25,727** | **64,939** | **49,402** | 73,752 |
| Other Assets | 162,331 | 198,681 | 259,696 | 58,196 | 87,136 |
| **Total Assets** | **3,440,168** | **4,364,204** | **4,494,901** | **4,259,343** | **5,705,025** |
| Interest Income | 308,680 | 361,240 | 384,598 | 343,821 | 458,649 |
| Interest Expenses | 186,484 | 197,322 | 193,475 | 215,553 | 264,765 |
| **Net Interest Income** | **122,196** | **163,918** | **191,123** | **128,268** | **193,884** |
| Commission and discount | 13,034 | 14,382 | 13,935 | 16,582 | 24,026 |
| Other Operating Income | 7,665 | 7,058 | 14,349 | 14,578 | 49,681 |
| Exchange Income | 6,560 | 18,503 | 12,294 | 20,866 | 13,737 |
| **Total Operating Income** | **149,455** | **203,861** | **231,701** | **180,294** | **281,328** |
| Employees Expenses | 29,470 | 36,396 | 37,084 | 48,581 | 59,937 |
| Other Operating Expenses | 41,181 | 48,022 | 50,384 | 70,392 | 68,683 |
| Exchange Loss | 0 | 0 | 0 | 0 | 0 |
| **Operating Profit Before Provision** | **78,804** | **119,443** | **144,233** | **61,321** | **152,708** |
| Provisions for possible losses | 0 | 73,375 | 303,412 | 855,593 | 217,859 |
| **Operating Profit** | **78,804** | **46,068** | **(159,179)** | **(794,272)** | **(65,151)** |
| Non-Operating Income/ Expenses | 0 | (1,175) | (2,289) | (1,058) | 1,199 |
| Return From Loan Loss Provision | 20,239 | 0 | 0 | 9,412 | 414,559 |
| **Profit From Ordinary activities** | **99,043** | **44,893** | **(161,468)** | **(785,918)** | **350,607** |
| Extra ordinary Income /Expenses | 0 | 0 | (109) | (9,413) | (109,243) |
| **Net Profit including all activities** | **99,043** | **44,893** | **(161,577)** | **(795,331)** | **241,364** |
| Provision For Staff Bonus | 9,904 | 4,489 | 0 | 0 | 21,942 |
| Provision For Income Tax | 0 | 21,764 | 35,196 | 10,731 | **27,018** |
| -This Year | 0 | 0 | 0 | 10,731 | 32,308 |
| -Up to Last Year | 0 | 0 | 0 | 0 | (5,290) |
| **Net Profit / Loss** | **89,139** | **18,640** | **(196,773)** | **(806,062)** | **192,404** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted Assets | 8.68% | 7.54% | 5.68% | -15.11% | -7.80% |
| Capital Fund to Risk Weighted Assets | 11.37% | 8.71% | 6.35% | -15.11% | -7.80% |
| Non-Performing Loan to Total Loan | 11.70% | 7.36% | 15.23% | 30.99% | 20.37% |
| Weighted Average Interest Spread | 4.18% | 4.74% | 4.39% | 2.54% | 3.30% |
| Net Interest Income (Rs. in million) | 122 | 164 | 191 | 128 | 194 |
| Return on Assets | 2.59% | 0.43% | -4.38% | -18.92% | 3.37% |
| Credit to Deposit | 88.60% | 85.31% | 91.41% | 90.29% | 82.07% |
| Liquid Assets to Total Assets | 19.14% | 22.78% | 18.55% | 36.78% | 28.51% |
| Liquid Assets to Total Deposit | 22.25% | 26.32% | 20.68% | 32.73% | 27.00% |

## 13. Nepal Industrial and Commercial Bank Limited

(Rs. In '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 499,955 | 499,960 | 500,000 | 600,000 | 660,000 |
| Reserves and Surplus | 52,146 | 120,438 | 184,194 | 166,462 | 257,990 |
| Debenture & Bond | 0 | 0 | 0 | 200,000 | 200,000 |
| Borrowing | 274,750 | 60,018 | 450,371 | 457,705 | 352,129 |
| Deposit | 3,144,320 | 5,146,483 | 6,241,378 | 8,765,950 | 10,068,231 |
| Bills Payable | 24,354 | 32,921 | 28,329 | 91,508 | 31,691 |
| Proposed & Payable dividend | 4,894 | 4,429 | 54,011 | 10,954 | 11,380 |
| Tax Liabilities | 0 | 0 | 2,040 | 4,631 | 405 |
| Other Liabilities | 37,100 | 65,818 | 47,744 | 86,390 | 97,008 |
| **Total Liabilities** | **4,037,519** | **5,930,067** | **7,508,067** | **10,383,600** | **11,678,834** |
| Cash Balance | 95,742 | 79,042 | 69,778 | 139,186 | 181,607 |
| Balance With NRB | 175,246 | 205,387 | 837,301 | 455,769 | 262,735 |
| Bank Balance with Banks | 47,070 | 34,876 | 98,470 | 154,184 | 155,416 |
| Money At call | 29,900 | 129,663 | 89,881 | 353,515 | 163,009 |
| Investment | 1,153,262 | 1,760,724 | 1,572,902 | 2,479,912 | 1,599,481 |
| Loan and Advances | 2,419,522 | 3,561,139 | 4,711,712 | 6,655,964 | 8,941,398 |
| Fixed Assets | 50,214 | 43,285 | 59,496 | 39,864 | 153,679 |
| Non- Banking Assets | | **12,868** | **3,465** | **2,645** | 1,164 |
| Other Assets | 66,563 | 103,083 | 65,062 | 102,561 | 220,345 |
| **Total Assets** | **4,037,519** | **5,930,067** | **7,508,067** | **10,383,600** | **11,678,834** |
| Interest Income | 291,143 | 363,037 | 457,610 | 579,979 | 725,819 |
| Interest Expenses | 142,606 | 183,582 | 225,992 | 340,222 | 421,375 |
| **Net Interest Income** | **148,537** | **179,455** | **231,618** | **239,758** | **304,444** |
| Commission and discount | 21,966 | 27,236 | 27,102 | 29,447 | 36,017 |
| Other Operating Income | 2,476 | 5,561 | 9,180 | 20,242 | 26,174 |
| Exchange Income | 12,183 | 20,832 | 24,606 | 25,388 | 44,277 |
| **Total Operating Income** | **185,162** | **233,084** | **292,505** | **314,835** | **410,912** |
| Employees Expenses | 33,827 | 35,226 | 39,003 | 45,494 | 54,920 |
| Other Operating Expenses | 50,706 | 47,445 | 51,629 | 57,356 | 64,631 |
| Exchange Loss | 26 | 0 | 0 | 0 | 0 |
| **Operating Profit Before Provision** | **100,603** | **150,413** | **201,873** | **211,985** | **291,361** |
| Provisions for possible losses | 53,481 | 42,904 | 19,952 | 60,913 | 37,771 |
| **Operating Profit** | **47,122** | **107,509** | **181,921** | **151,072** | **253,590** |
| Non-Operating Income/ Expenses | (82) | 40 | 285 | 59 | 409 |
| Return From Loan Loss Provision | 0 | 0 | 5,086 | 10,359 | 94,457 |
| **Profit From Ordinary activities** | **47,040** | **107,549** | **187,291** | **161,490** | **348,456** |
| Extra ordinary Income /Expenses | 0 | 0 | (4,262) | (10,359) | (94,457) |
| **Net Profit including all activities** | **47,040** | **107,549** | **183,030** | **151,131** | **253,999** |
| Provision For Staff Bonus | 4,704 | 10,755 | 18,303 | 13,739 | 23,091 |
| Provision For Income Tax | 16,394 | 28,535 | 50,971 | 40,804 | **72,433** |
| -This Year | 0 | 0 | 50,971 | 40,804 | 72,680 |
| -Up to Last Year | 0 | 0 | 0 | 0 | (247) |
| **Net Profit / Loss** | **25,942** | **68,259** | **113,756** | **96,588** | **158,475** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted Assets | 17.44% | 12.92% | 12.36% | 9.94% | 9.20% |
| Capital Fund to Risk Weighted Assets | 18.87% | 13.75% | 13.29% | 13.54% | 12.20% |
| Non-Performing Loan to Total Loan | 6.66% | 3.92% | 3.78% | 2.60% | 0.06% |
| Weighted Average Interest Spread | 4.03% | 3.06% | 3.33% | 2.74% | 2.87% |
| Net Interest Income (Rs. in million) | 149 | 179 | 232 | 240 | 158 |
| Return on Assets | 0.64% | 1.15% | 1.52% | 1.08% | 1.36% |
| Credit to Deposit | 81.51% | 72.73% | 78.66% | 78.74% | 90.67% |
| Liquid Assets to Total Assets | 35.25% | 28.40% | 30.50% | 27.54% | 15.95% |
| Liquid Assets to Total Deposit | 45.26% | 32.73% | 36.69% | 32.62% | 18.51% |

## 14. Machhapuchchhre Bank Limited

(Rs. In '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 544,174 | 550,000 | 550,000 | 715,000 | 821,651 |
| Reserves and Surplus | (42,469) | 4,222 | 87,739 | 216,091 | 178,613 |
| Debenture & Bond | 0 | 0 | 0 | 0 | 0 |
| Borrowing | 90,000 | 102,167 | 154,217 | 131,675 | 228,504 |
| Deposit | 1,778,788 | 2,754,632 | 5,586,803 | 7,893,298 | 9,475,452 |
| Bills Payable | 3,957 | 5,136 | 9,327 | 11,365 | 21,482 |
| Proposed & Payable dividend | 0 | 0 | 0 | 5,645 | 4,314 |
| Tax Liabilities | 0 | 0 | 874 | 10,462 | 7,372 |
| Other Liabilities | 25,407 | 32,477 | 67,500 | 86,294 | 70,228 |
| **Total Liabilities** | **2,399,857** | **3,448,634** | **6,456,460** | **9,069,830** | **10,807,616** |
| Cash Balance | 45,642 | 65,256 | 121,550 | 280,421 | 385,940 |
| Balance With NRB | 88,887 | 136,657 | 463,233 | 489,091 | 785,689 |
| Bank Balance with Banks | 67,196 | 208,831 | 146,350 | 44,412 | 112,451 |
| Money At call | 220,000 | 150,000 | 15,000 | 718,475 | 694,000 |
| Investment | 398,356 | 274,407 | 468,612 | 1,190,830 | 1,278,469 |
| Loan and Advances | 1,464,166 | 2,493,108 | 5,061,433 | 6,068,427 | 7,129,891 |
| Fixed Assets | 59,225 | 62,413 | 86,212 | 104,943 | 259,533 |
| Non- Banking Assets | **0** | **0** | **4,354** | **12,532** | 3,392 |
| Other Assets | 56,385 | 57,962 | 89,716 | 160,699 | 158,251 |
| **Total Assets** | **2,399,857** | **3,448,634** | **6,456,460** | **9,069,830** | **10,807,616** |
| Interest Income | 139,040 | 215,207 | 381,931 | 563,362 | 694,482 |
| Interest Expenses | 76,156 | 113,579 | 187,028 | 288,662 | 397,722 |
| **Net Interest Income** | **62,884** | **101,628** | **194,903** | **274,700** | **296,760** |
| Commission and discount | 5,654 | 14,840 | 21,391 | 33,401 | 34,305 |
| Other Operating Income | 505 | 1,001 | 13,206 | 13,691 | 49,039 |
| Exchange Income | 5,946 | 12,621 | 11,359 | 35,152 | 29,036 |
| **Total Operating Income** | **74,989** | **130,090** | **240,859** | **356,945** | **409,140** |
| Employees Expenses | 17,435 | 19,872 | 29,582 | 43,410 | 54,360 |
| Other Operating Expenses | 34,079 | 42,358 | 59,973 | 85,924 | 104,181 |
| Exchange Loss | 0 | 0 | 0 | 0 | 1,893 |
| **Operating Profit Before Provision** | **23,475** | **67,860** | **151,304** | **227,610** | **248,706** |
| Provisions for possible losses | 6,466 | 15,980 | 22,907 | 34,703 | 157,606 |
| **Operating Profit** | **17,009** | **51,880** | **128,397** | **192,908** | **91,100** |
| Non-Operating Income/ Expenses | 0 | (2) | 287 | (9) | 462 |
| Return From Loan Loss Provision | 0 | 0 | 345 | 20,149 | 48,185 |
| **Profit From Ordinary activities** | **17,009** | **51,878** | **129,029** | **213,048** | **139,747** |
| Extra ordinary Income /Expenses | 0 | 0 | (346) | (1,530) | (14,319) |
| **Net Profit including all activities** | **17,009** | **51,878** | **128,683** | **211,518** | **125,428** |
| Provision For Staff Bonus | 1,701 | 5,188 | 12,868 | 19,229 | 11,403 |
| Provision For Income Tax | 0 | | 30,945 | 58,294 | **39,940** |
| -This Year | 0 | 0 | 30,945 | 57,911 | 39,940 |
| -Up to Last Year | 0 | 0 | 0 | 383 | 0 |
| **Net Profit / Loss** | **15,308** | **46,690** | **84,870** | **133,995** | **74,085** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted | 23.98% | 17.01% | 10.52% | 11.95% | 10.68% |
| Capital Fund to Risk Weighted | 24.75% | 17.82% | 11.36% | 12.79% | 11.97% |
| Non-Performing Loan to Total Loan | 2.08% | 0.98% | 0.39% | 0.28% | 1.16% |
| Weighted Average Interest Spread | 2.50% | 3.78% | 3.97% | 3.40% | 3.38% |
| Net Interest Income (Rs. in million) | 63 | 102 | 195 | 275 | 74 |
| Return on Assets | 0.64% | 1.35% | 1.31% | 1.48% | 0.69% |
| Credit to Deposit | 84.09% | 92.24% | 91.83% | 77.87% | 77.25% |
| Liquid Assets to Total Assets | 20.88% | 18.33% | 13.53% | 26.87% | 22.07% |
| Liquid Assets to Total Deposit | 28.17% | 22.95% | 15.63% | 30.87% | 25.17% |

## 15. Kumari Bank Limited

(Rs. In '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 350,000 | 500,000 | 500,000 | 625,000 | 750,000 |
| Reserves and Surplus | 11,033 | 33,403 | 145,442 | 238,851 | 275,630 |
| Debenture & Bond | 0 | 0 | 0 | 0 | 0 |
| Borrowing | 0 | 0 | 401,761 | 251,400 | 212,970 |
| Deposit | 2,513,144 | 4,807,936 | 6,268,954 | 7,768,957 | 10,557,416 |
| Bills Payable | 4,129 | 14,637 | 7,339 | 11,919 | 16,554 |
| Proposed & Payable dividend | 0 | 26,316 | 0 | 6,579 | 0 |
| Tax Liabilities | 0 | 0 | 0 | 296 | 11,007 |
| Other Liabilities | 107,869 | 111,883 | 114,386 | 107,274 | 94,734 |
| **Total Liabilities** | **2,986,175** | **5,494,175** | **7,437,882** | **9,010,276** | **11,918,311** |
| Cash Balance | 40,800 | 68,472 | 111,249 | 135,795 | 190,748 |
| Balance With NRB | 224,028 | 524,635 | 219,830 | 210,553 | 384,845 |
| Bank Balance with Banks | 26,877 | 92,371 | 112,292 | 43,282 | 96,520 |
| Money At call | 0 | 0 | 90,000 | 145,000 | 372,215 |
| Investment | 423,155 | 983,504 | 1,190,271 | 1,394,948 | 1,678,418 |
| Loan and Advances | 2,105,737 | 3,649,008 | 5,590,926 | 6,891,855 | 8,929,013 |
| Fixed Assets | 40,425 | 57,152 | 82,984 | 91,933 | 189,324 |
| Non- Banking Assets | **0** | **0** | **0** | **3,592** | 2,395 |
| Other Assets | 125,153 | 119,033 | 40,330 | 93,318 | 74,833 |
| **Total Assets** | **2,986,175** | **5,494,175** | **7,437,882** | **9,010,276** | **11,918,311** |
| Interest Income | 185,090 | 310,216 | 499,918 | 605,527 | 791,284 |
| Interest Expenses | 92,945 | 163,903 | 240,130 | 337,056 | 397,053 |
| **Net Interest Income** | **92,145** | **146,313** | **259,788** | **268,471** | **394,231** |
| Commission and discount | 9,413 | 16,446 | 23,083 | 26,281 | 40,764 |
| Other Operating Income | 582 | 1,773 | 2,609 | 10,003 | 15,281 |
| Exchange Income | 7,144 | 14,414 | 14,989 | 26,374 | 20,294 |
| **Total Operating Income** | **109,284** | **178,946** | **300,469** | **331,129** | **470,570** |
| Employees Expenses | 23,254 | 28,576 | 42,395 | 59,820 | 74,244 |
| Other Operating Expenses | 45,504 | 56,441 | 71,812 | 88,683 | 104,079 |
| Exchange Loss | 0 | 0 | 0 | 0 | 0 |
| **Operating Profit Before Provision** | **40,526** | **93,929** | **186,262** | **182,626** | **292,247** |
| Provisions for possible losses | 16,805 | 17,126 | 41,111 | 25,871 | 24,950 |
| **Operating Profit** | **23,721** | **76,803** | **145,151** | **156,755** | **267,297** |
| Non-Operating Income/ Expenses | 4 | | 5 | (39) | 670 |
| Return From Loan Loss Provision | 0 | 0 | 0 | 5,117 | 6,264 |
| **Profit From Ordinary activities** | **23,725** | **76,803** | **145,156** | **161,833** | **274,231** |
| Extra ordinary Income /Expenses | 0 | 0 | 0 | 0 | (817) |
| **Net Profit including all activities** | **23,725** | **76,803** | **145,156** | **161,833** | **273,414** |
| Provision For Staff Bonus | 2,373 | 7,680 | 14,515 | 14,712 | 24,856 |
| Provision For Income Tax | 8,879 | 20,437 | 42,760 | 43,454 | **78,296** |
| -This Year | 0 | 0 | 0 | 43,454 | 78,296 |
| -Up to Last Year | 0 | 0 | 0 | 0 | 0 |
| **Net Profit / Loss** | **12,473** | **48,686** | **87,881** | **103,667** | **170,262** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted Assets | 14.22% | 28.21% | 10.20% | 11.26% | 10.26% |
| Capital Fund to Risk Weighted Assets | 15.46% | 29.13% | 11.15% | 12.34% | 11.22% |
| Non-Performing Loan to Total Loan | 1.70% | 0.00% | 0.95% | 0.01% | 0.73% |
| Weighted Average Interest Spread | 6.48% | 3.82% | 3.85% | 4.58% | 4.67% |
| Net Interest Income (Rs. in million) | 92 | 61 | 260 | 268 | 170 |
| Return on Assets | 0.42% | 0.89% | 1.18% | 1.15% | 1.43% |
| Credit to Deposit | 85.06% | 76.91% | 90.62% | 90.20% | 85.84% |
| Liquid Assets to Total Assets | 17.66% | 23.43% | 22.23% | 18.30% | 22.84% |
| Liquid Assets to Total Deposit | 20.98% | 26.77% | 26.37% | 21.22% | 25.79% |

## 16. Laxmi Bank Limited

(Rs. In '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 330,000 | 549,789 | 609,839 | 609,917 | 729,697 |
| Reserves and Surplus | (3,183) | 7,266 | 33,731 | 69,116 | 134,696 |
| Debenture & Bond | 0 | 0 | 0 | 0 | 0 |
| Borrowing | 70,000 | 317,005 | 18,691 | 29,760 | 0 |
| Deposit | 691,810 | 1,684,159 | 3,051,759 | 4,444,351 | 7,611,653 |
| Bills Payable | 2,150 | 283 | 31,443 | 4,749 | 3,091 |
| Proposed & Payable dividend | 0 | 0 | 309 | 149 | 127 |
| Tax Liabilities | 0 | 0 | 1,450 | 0 | 0 |
| Other Liabilities | 5,769 | 26,988 | 73,548 | 47,148 | 103,424 |
| **Total Liabilities** | **1,096,546** | **2,585,490** | **3,820,770** | **5,205,190** | **8,582,688** |
| Cash Balance | 330,000 | 549,789 | 609,839 | 609,917 | 119,437 |
| Balance With NRB | (3,183) | 7,266 | 33,731 | 69,116 | 323,698 |
| Bank Balance with Banks | 0 | 0 | 0 | 0 | 26,587 |
| Money at call | 70,000 | 317,005 | 18,691 | 29,760 | 13,028 |
| Investment | 691,810 | 1,684,159 | 3,051,759 | 4,444,351 | 1,437,171 |
| Loan and Advances | 2,150 | 283 | 31,443 | 4,749 | 6,437,449 |
| Fixed Assets | 0 | 0 | 309 | 149 | 140,022 |
| Non- Banking Assets | **0** | **0** | **1,450** | **0** | 784 |
| Other Assets | 5,769 | 26,988 | 73,548 | 47,148 | 84,512 |
| **Total Assets** | **1,096,546** | **2,585,490** | **3,820,770** | **5,205,190** | **8,582,688** |
| Interest Income | 49,787 | 124,046 | 214,132 | 319,253 | 470,495 |
| Interest Expenses | 20,096 | 63,177 | 118,439 | 190,590 | 280,278 |
| **Net Interest Income** | **29,691** | **60,869** | **95,694** | **128,664** | **190,217** |
| Commission and discount | 4,262 | 11,299 | 11,254 | 15,039 | 15,156 |
| Other Operating Income | 491 | 1,026 | 4,427 | 9,789 | 15,710 |
| Exchange Income | 4,534 | 6,076 | 5,770 | 9,426 | 20,904 |
| **Total Operating Income** | **38,978** | **79,270** | **117,145** | **162,917** | **241,987** |
| Employees Expenses | 14,394 | 19,198 | 29,934 | 37,641 | 48,785 |
| Other Operating Expenses | 17,322 | 35,730 | 37,122 | 50,123 | 63,547 |
| Exchange Loss | 0 | 0 | 0 | 0 | 0 |
| **Operating Profit Before Provision** | **7,262** | **24,342** | **50,089** | **75,153** | **129,655** |
| Provisions for possible losses | 6,518 | 9,750 | 18,226 | 15,626 | 22,756 |
| **Operating Profit** | **744** | **14,592** | **31,863** | **59,528** | **106,899** |
| Non-Operating Income/ Expenses | 405 | (55) | (9,089) | (8,971) | (8,365) |
| Return From Loan Loss Provision | 0 | 0 | 16,772 | 5,866 | 10,969 |
| **Profit From Ordinary activities** | **1,149** | **14,537** | **39,546** | **56,423** | **109,503** |
| Extra ordinary Income /Expenses | 0 | 0 | 912 | (724) | (4,309) |
| **Net Profit including all activities** | **1,149** | **14,537** | **40,457** | **55,699** | **105,194** |
| Provision For Staff Bonus | 115 | 1,454 | 3,678 | 5,064 | 9,563 |
| Provision For Income Tax | 0 | 2,634 | 0 | | **30,052** |
| -This Year | 0 | 0 | 10,315 | 15,250 | 30,052 |
| -Up to Last Year | 0 | 0 | 0 | 0 | 0 |
| **Net Profit / Loss** | **1,034** | **10,449** | **26,465** | **35,385** | **65,579** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted Assets | 37.60% | 11.90% | 19.59% | 13.71% | 11.33% |
| Capital Fund to Risk Weighted Assets | 38.56% | 12.81% | 20.72% | 14.96% | 12.43% |
| Non-Performing Loan to Total Loan | 0.00% | 0.76% | 1.63% | 0.78% | 0.35% |
| Weighted Average Interest Spread | 5.16% | 4.30% | 4.19% | 3.24% | 3.20% |
| Net Interest Income (Rs. in million) | 30 | 61 | 96 | 129 | 190 |
| Return on Assets | 0.09% | 0.40% | 0.68% | 0.79% | 0.76% |
| Credit to Deposit | 112.16% | 103.96% | 89.33% | 96.30% | 85.78% |
| Liquid Assets to Total Assets | 22.75% | 29.53% | 23.86% | 13.82% | 17.02% |
| Liquid Assets to Total Deposit | 36.07% | 45.33% | 30.41% | 16.18% | 19.19% |

## 17. Siddhartha Bank Limited

(Rs. In '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 350,000 | 350,000 | 350,000 | 500,000 | 600,000 |
| Reserves and Surplus | (1,284) | 16,198 | 37,889 | 103,141 | 193,710 |
| Debenture & Bond | 0 | 0 | 0 | 0 | 0 |
| Borrowing | 110,000 | 220,000 | 190,000 | 181,150 | 430,000 |
| Deposit | 391,678 | 1,291,314 | 2,461,922 | 3,918,076 | 6,625,078 |
| Bills Payable | 0 | 962 | 429 | 0 | 0 |
| Proposed & Payable dividend | 0 | 0 | 0 | 0 | 4,737 |
| Tax Liabilities | 714 | 2,018 | 17,083 | 1,113 | 5,203 |
| Other Liabilities | 12,627 | 31,547 | 41,673 | 53,455 | 95,936 |
| **Total Liabilities** | **863,735** | **1,912,039** | **3,098,996** | **4,756,935** | **7,954,664** |
| Cash Balance | 9,439 | 18,214 | 33,459 | 64,977 | 130,442 |
| Balance With NRB | 42,611 | 35,412 | 45,637 | 48,831 | 380,564 |
| Bank Balance With Banks | 13,037 | 18,220 | 51,633 | 2,138 | 6,220 |
| Money At call | 102,073 | 174,830 | 22,471 | 100,000 | 229,446 |
| Investment | 3,775 | 42,050 | 286,623 | 650,979 | 865,189 |
| Loan and Advances | 622,735 | 1,543,768 | 2,570,776 | 3,789,123 | 6,222,587 |
| Fixed Assets | 21,819 | 28,409 | 30,217 | 39,692 | 46,667 |
| Non- Banking Assets | 0 | 0 | 720 | 480 | 10,173 |
| Other Assets | 48,246 | 51,136 | 57,460 | 60,715 | 63,376 |
| **Total Assets** | **863,735** | **1,912,039** | **3,098,996** | **4,756,935** | **7,954,664** |
| Interest Income | 23,889 | 113,630 | 198,184 | 305,561 | 481,524 |
| Interest Expenses | 5,619 | 45,506 | 91,981 | 153,709 | 271,711 |
| **Net Interest Income** | **18,270** | **68,124** | **106,203** | **151,852** | **209,813** |
| Commission and discount | 2,163 | 7,034 | 7,553 | 13,775 | 20,178 |
| Other Operating Income | 2,687 | 6,866 | 7,982 | 9,701 | 18,659 |
| Exchange Income | 88 | 2,229 | 7,171 | 12,051 | 14,245 |
| **Total Operating Income** | **23,208** | **84,253** | **128,908** | **187,379** | **262,895** |
| Employees Expenses | 8,040 | 16,458 | 20,310 | 26,087 | 33,620 |
| Other Operating Expenses | 10,163 | 21,668 | 30,898 | 44,125 | 55,721 |
| Exchange Loss | 0 | 0 | 0 | 0 | 0 |
| **Operating Profit Before Provision** | **5,005** | **46,127** | **77,700** | **117,167** | **173,554** |
| Provisions for possible losses | 6,290 | 17,769 | 0 | 16,473 | 20,544 |
| **Operating Profit** | **(1,285)** | **28,358** | **77,700** | **100,694** | **153,010** |
| Non-Operating Income/ Expenses | 0 | 0 | 0 | 3 | 35 |
| Return From Loan Loss Provision | 0 | 0 | 19,370 | 0 | 0 |
| **Profit From Ordinary activities** | **(1,285)** | **28,358** | **97,070** | **100,697** | **153,045** |
| Extra ordinary Income /Expenses | 0 | 0 | 0 | 0 | 0 |
| **Net Profit including all activities** | **(1,285)** | **28,358** | **97,070** | **100,697** | **153,045** |
| Provision For Staff Bonus | | 2,836 | 9,707 | 9,154 | 13,913 |
| Provision For Income Tax | | 8,039 | 17,083 | 26,290 | **43,826** |
| -This Year | 0 | 0 | 17,083 | 26,290 | 43,826 |
| -Up to Last Year | 0 | 0 | 0 | 0 | 0 |
| **Net Profit / Loss** | **(1,285)** | **17,483** | **70,280** | **65,253** | **95,306** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted Assets | 41.11% | 18.50% | 13.06% | 13.29% | 10.78% |
| Capital Fund to Risk Weighted Assets | 41.85% | 19.36% | 13.93% | 14.16% | 11.84% |
| Non-Performing Loan to Total Loan | 0.00% | 1.61% | 2.58% | 0.87% | 0.34% |
| Weighted Average Interest Spread | 5.15% | 5.53% | 4.46% | 4.07% | 3.57% |
| Net Interest Income (Rs. in million) | 18 | 68 | 106 | 152 | 209 |
| Return on Assets | -0.15% | 0.91% | 2.27% | 1.37% | 1.20% |
| Credit to Deposit | 160.60% | 121.41% | 107.03% | 98.75% | 95.39% |
| Liquid Assets to Total Assets | 19.79% | 15.10% | 13.87% | 12.91% | 17.08% |
| Liquid Assets to Total Deposit | 43.64% | 22.36% | 17.46% | 15.68% | 20.51% |

## 18. Agriculture Development Bank

(Rs. In '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 0 | 0 | 1,677,615 | 6,478,000 | 7,528,000 |
| Reserves and Surplus | 0 | 0 | (7,666,883) | (7,313,358) | (6,254,909) |
| Debenture & Bond | 0 | 0 | 0 | 0 | 0 |
| Borrowing | 0 | 0 | 3,589,299 | 513,532 | 373,947 |
| Deposit | 0 | 0 | 27,223,046 | 29,631,817 | 32,416,358 |
| Bills Payable | 0 | 0 | 0 | 0 | 0 |
| Proposed & Payable dividend | 0 | 0 | 0 | 0 | 0 |
| Tax Liabilities | 0 | 0 | 235,147 | 748,270 | 284,744 |
| Other Liabilities | 0 | 0 | 6,164,751 | 5,239,362 | 3,812,071 |
| **Total Liabilities** | **0** | **0** | **31,222,975** | **35,297,623** | **38,160,211** |
| Cash Balance | 0 | 0 | 680,844 | 746,812 | 749,552 |
| Balance With NRB | 0 | 0 | 1,730,302 | 3,018,299 | 2,001,144 |
| Bank Balance With Banks | 0 | 0 | 623,892 | 1,006,589 | 938,625 |
| Money At call | 0 | 0 | 0 | 0 | 161,599 |
| Investment | 0 | 0 | 1,355,833 | 1,511,330 | 3,177,461 |
| Loan and Advances | 0 | 0 | 22,638,255 | 24,900,914 | 27,252,333 |
| Fixed Assets | 0 | 0 | 816,192 | 882,083 | 788,868 |
| Non- Banking Assets | 0 | 0 | 0 | 0 | 0 |
| Other Assets | 0 | 0 | 3,377,657 | 3,231,596 | 3,090,629 |
| **Total Assets** | **0** | **0** | **31,222,975** | **35,297,623** | **38,160,211** |
| Interest Income | 0 | 0 | 3,915,225 | 4,095,069 | 4,623,096 |
| Interest Expenses | 0 | 0 | 1,487,499 | 1,501,368 | 1,605,867 |
| **Net Interest Income** | **0** | **0** | **2,427,726** | **2,593,701** | **3,017,229** |
| Commission and discount | 0 | 0 | 42,646 | 42,262 | 49,818 |
| Other Operating Income | 0 | 0 | 286,315 | 164,861 | 232,033 |
| Exchange Income | 0 | 0 | 0 | 2,834 | 0 |
| **Total Operating Income** | **0** | **0** | **2,756,687** | **2,803,658** | **3,299,080** |
| Employees Expenses | 0 | 0 | 963,176 | 1,775,337 | 1,306,805 |
| Other Operating Expenses | 0 | 0 | 447,881 | 254,889 | 277,546 |
| Exchange Loss | 0 | 0 | 11,937 | 0 | 14,061 |
| **Operating Profit Before Provision** | **0** | **0** | **1,333,693** | **773,432** | **1,700,668** |
| Provisions for possible losses | 0 | 0 | 1,505,105 | 149,285 | 337,783 |
| **Operating Profit** | **0** | **0** | **(171,412)** | **624,147** | **1,362,885** |
| Non-Operating Income/ Expenses | 0 | 0 | 92,780 | 117,765 | 7,419 |
| Return From Loan Loss Provision | 0 | 0 | 0 | 549,333 | 1,803,214 |
| **Profit From Ordinary activities** | **0** | **0** | **(78,632)** | **1,291,245** | **3,173,518** |
| Extra ordinary Income /Expenses | 0 | 0 | 0 | (355,266) | (1,883,003 |
| **Net Profit including all activities** | **0** | **0** | **(78,632)** | **935,979** | **1,290,515** |
| Provision For Staff Bonus | 0 | 0 | 0 | 69,332 | 95,594 |
| Provision For Income Tax | 0 | 0 | 0 | 0 | **136,473** |
| -This Year | 0 | 0 | 0 | 148,270 | 136,473 |
| -Up to Last Year | 0 | 0 | 0 | 364,853 | |
| **Net Profit / Loss** | **0** | **0** | **(78,632)** | **353,524** | **1,058,448** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted Assets | 0.00% | 0.00% | -15.58% | -2.07% | 2.68% |
| Capital Fund to Risk Weighted Assets | 0.00% | 0.00% | -15.58% | -2.07% | 4.84% |
| Non-Performing Loan to Total Loan | 0.00% | 0.00% | 19.18% | 20.59% | 17.96% |
| Weighted Average Interest Spread | 0.00% | 0.00% | 4.90% | 5.56% | 5.88% |
| Net Interest Income (Rs. in million) | 0 | 0 | 2428 | 2594 | 3,017 |
| Return on Assets | 0.00% | 0.00% | -20.59% | 1.00% | 2.77% |
| Credit to Deposit | 0.00% | 0.00% | 115.01% | 112.42% | 106.24% |
| Liquid Assets to Total Assets | 0.00% | 0.00% | 11.00% | 14.72% | 14.33% |
| Liquid Assets to Total Deposit | 0.00% | 0.00% | 12.62% | 17.53% | 16.87% |

## 19. Global Bank Limited

(Rs. In '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 0 | 0 | 0 | 0 | 510,000 |
| Reserves and Surplus | 0 | 0 | 0 | 0 | (40,509) |
| Debenture & Bond | 0 | 0 | 0 | 0 | 0 |
| Borrowing | 0 | 0 | 0 | 0 | 30,000 |
| Deposit | 0 | 0 | 0 | 0 | 3,023,616 |
| Bills Payable | 0 | 0 | 0 | 0 | 2,534 |
| Proposed & Payable dividend | 0 | 0 | 0 | 0 | 0 |
| Tax Liabilities | 0 | 0 | 0 | 0 | 0 |
| Other Liabilities | 0 | 0 | 0 | 0 | 9,178 |
| **Total Liabilities** | **0** | **0** | **0** | **0** | **3,534,819** |
| Cash Balance | 0 | 0 | 0 | 0 | 66,728 |
| Balance With NRB | 0 | 0 | 0 | 0 | 304,184 |
| Bank Balance With Banks | 0 | 0 | 0 | 0 | 102,128 |
| Money At call | 0 | 0 | 0 | 0 | 0 |
| Investment | 0 | 0 | 0 | 0 | 389,480 |
| Loan and Advances | 0 | 0 | 0 | 0 | 2,564,140 |
| Fixed Assets | 0 | 0 | 0 | 0 | 50,817 |
| Non- Banking Assets | **0** | **0** | **0** | **0** | 0 |
| Other Assets | 0 | 0 | 0 | 0 | 57,342 |
| **Total Assets** | **0** | **0** | **0** | **0** | **3,534,819** |
| Interest Income | 0 | 0 | 0 | 0 | 65,103 |
| Interest Expenses | 0 | 0 | 0 | 0 | 40,325 |
| **Net Interest Income** | **0** | **0** | **0** | **0** | **24,778** |
| Commission and discount | 0 | 0 | 0 | 0 | 3,969 |
| Other Operating Income | 0 | 0 | 0 | 0 | 2,086 |
| Exchange Income | 0 | 0 | 0 | 0 | 6,479 |
| **Total Operating Income** | **0** | **0** | **0** | **0** | **37,312** |
| Employees Expenses | 0 | 0 | 0 | 0 | 12,706 |
| Other Operating Expenses | 0 | 0 | 0 | 0 | 26,690 |
| Exchange Loss | 0 | 0 | 0 | 0 | 0 |
| **Operating Profit Before Provision** | **0** | **0** | **0** | **0** | **(2,084)** |
| Provisions for possible losses | 0 | 0 | 0 | 0 | 38,425 |
| **Operating Profit** | **0** | **0** | **0** | **0** | **(40,509)** |
| Non-Operating Income/ Expenses | 0 | 0 | 0 | 0 | 0 |
| Return From Loan Loss Provision | 0 | 0 | 0 | 0 | 0 |
| **Profit From Ordinary activities** | **0** | **0** | **0** | **0** | **(40,509)** |
| Extra ordinary Income /Expenses | 0 | 0 | 0 | 0 | 0 |
| **Net Profit including all activities** | **0** | **0** | **0** | **0** | **(40,509)** |
| Provision For Staff Bonus | 0 | 0 | 0 | 0 | 0 |
| Provision For Income Tax | 0 | 0 | 0 | 0 | **0** |
| -This Year | 0 | 0 | 0 | 0 | 0 |
| -Up to Last Year | 0 | 0 | 0 | 0 | 0 |
| **Net Profit / Loss** | **0** | **0** | **0** | **0** | **(40,509)** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted Assets | 0.00% | 0.00% | 0.00% | 0.00% | 14.00% |
| Capital Fund to Risk Weighted Assets | 0.00% | 0.00% | 0.00% | 0.00% | 16.00% |
| Non-Performing Loan to Total Loan | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Weighted Average Interest Spread | 0.00% | 0.00% | 0.00% | 0.00% | 3.25% |
| Net Interest Income (Rs. in million) | 0 | 0 | 0 | 0 | 40 |
| Return on Assets | 0.00% | 0.00% | 0.00% | 0.00% | -1.15% |
| Credit to Deposit | 0.00% | 0.00% | 0.00% | 0.00% | 86.00% |
| Liquid Assets to Total Assets | 0.00% | 0.00% | 0.00% | 0.00% | 17.25% |
| Liquid Assets to Total Deposit | 0.00% | 0.00% | 0.00% | 0.00% | 20.17% |

## 20. Citizens Bank International Limited

(Rs. In '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 0 | 0 | 0 | 0 | 560,000 |
| Reserves and Surplus | 0 | 0 | 0 | 0 | (15,306) |
| Debenture & Bond | 0 | 0 | 0 | 0 | 0 |
| Borrowing | 0 | 0 | 0 | 0 | 1,372,569 |
| Deposit | 0 | 0 | 0 | 0 | 1,553,170 |
| Bills Payable | 0 | 0 | 0 | 0 | 1,296 |
| Proposed & Payable dividend | 0 | 0 | 0 | 0 | 0 |
| Tax Liabilities | 0 | 0 | 0 | 0 | 0 |
| Other Liabilities | 0 | 0 | 0 | 0 | 14,727 |
| **Total Liabilities** | **0** | **0** | **0** | **0** | **3,486,456** |
| Cash Balance | 0 | 0 | 0 | 0 | 46,111 |
| Balance With NRB | 0 | 0 | 0 | 0 | 76,725 |
| Bank Balance with Banks | 0 | 0 | 0 | 0 | 23,985 |
| Money At call | 0 | 0 | 0 | 0 | 0 |
| Investment | 0 | 0 | 0 | 0 | 1,221,389 |
| Loan and Advances | 0 | 0 | 0 | 0 | 2,026,210 |
| Fixed Assets | 0 | 0 | 0 | 0 | 72,969 |
| Non- Banking Assets | **0** | **0** | **0** | **0** | 0 |
| Other Assets | 0 | 0 | 0 | 0 | 19,067 |
| **Total Assets** | **0** | **0** | **0** | **0** | **3,486,456** |
| Interest Income | 0 | 0 | 0 | 0 | 26,955 |
| Interest Expenses | 0 | 0 | 0 | 0 | 14,830 |
| **Net Interest Income** | **0** | **0** | **0** | **0** | **12,125** |
| Commission and discount | 0 | 0 | 0 | 0 | 1,618 |
| Other Operating Income | 0 | 0 | 0 | 0 | 6,782 |
| Exchange Income | 0 | 0 | 0 | 0 | 581 |
| **Total Operating Income** | **0** | **0** | **0** | **0** | **21,106** |
| Employees Expenses | 0 | 0 | 0 | 0 | 6,030 |
| Other Operating Expenses | 0 | 0 | 0 | 0 | 9,865 |
| Exchange Loss | 0 | 0 | 0 | 0 | 0 |
| **Operating Profit Before Provision** | **0** | **0** | **0** | **0** | **5,211** |
| Provisions for possible losses | 0 | 0 | 0 | 0 | 20,517 |
| **Operating Profit** | **0** | **0** | **0** | **0** | **(15,306)** |
| Non-Operating Income/ Expenses | 0 | 0 | 0 | 0 | 0 |
| Return From Loan Loss Provision | 0 | 0 | 0 | 0 | 0 |
| **Profit From Ordinary activities** | **0** | **0** | **0** | **0** | **(15,306)** |
| Extra ordinary Income /Expenses | 0 | 0 | 0 | 0 | 0 |
| **Net Profit including all activities** | **0** | **0** | **0** | **0** | **(15,306)** |
| Provision For Staff Bonus | 0 | 0 | 0 | 0 | 0 |
| Provision For Income Tax | 0 | 0 | 0 | 0 | **0** |
| -This Year | 0 | 0 | 0 | 0 | 0 |
| -Up to Last Year | 0 | 0 | 0 | 0 | 0 |
| **Net Profit / Loss** | **0** | **0** | **0** | **0** | **(15,306)** |
| **Financial Indicators** | | | | | |
| Core Capital to Risk Weighted Assets | 0.00% | 0.00% | 0.00% | 0.00% | 20.65% |
| Capital Fund to Risk Weighted Assets | 0.00% | 0.00% | 0.00% | 0.00% | 21.43% |
| Non-Performing Loan to Total Loan | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Weighted Average Interest Spread | 0.00% | 0.00% | 0.00% | 0.00% | 3.24% |
| Net Interest Income (Rs. in million) | 0 | 0 | 0 | 0 | (15) |
| Return on Assets | 0.00% | 0.00% | 0.00% | 0.00% | -0.44% |
| Credit to Deposit | 0.00% | 0.00% | 0.00% | 0.00% | 131.78% |
| Liquid Assets to Total Assets | 0.00% | 0.00% | 0.00% | 0.00% | 4.21% |
| Liquid Assets to Total Deposit | 0.00% | 0.00% | 0.00% | 0.00% | 9.45% |

## 21. Consolidated Financials of the Banking Industry (2006/07)

(Rs. In '000')

| Capital and Liabilities | FY 2002-03 | FY 2003-04 | FY 2004-05 | FY 2005-06 | FY 2006-07 |
|---|---|---|---|---|---|
| Capital | 7,777,400 | 8,350,651 | 11,101,522 | 16,849,764 | 20,017,010 |
| Reserves and Surplus | (30,721,880) | (28,048,813) | (32,823,223) | (31,828,256) | (28,591,841) |
| Debenture & Bond | 0 | 0 | 0 | 1,810,000 | 2,060,000 |
| Borrowing | 3,194,132 | 3,382,377 | 11,973,882 | 9,208,426 | 10,142,010 |
| Deposit | 181,292,438 | 206,678,378 | 253,257,333 | 291,985,286 | 337,267,244 |
| Bills Payable | 587,940 | 697,395 | 970,678 | 807,968 | 614,056 |
| Proposed & Payable dividend | 857,131 | 1,094,685 | 1,179,337 | 1,609,093 | 1,391,657 |
| Tax Liabilities | 24,156 | 13,267 | 285,998 | 808,696 | 372,148 |
| Other Liabilities | 44,141,996 | 47,654,017 | 36,580,209 | 20,871,465 | 24,338,226 |
| **Total Liabilities** | **207,153,313** | **239,821,957** | **282,525,736** | **312,122,442** | **367,610,510** |
| Cash Balance | 5,135,942 | 4,968,201 | 6,373,971 | 7,081,487 | 8,281,968 |
| Balance With NRB | 11,724,238 | 18,231,216 | 17,720,459 | 21,132,454 | 22,603,024 |
| Bank Balance With Banks | 3,306,346 | 3,164,030 | 3,630,679 | 3,949,261 | 4,991,521 |
| Money At call | 4,055,096 | 5,983,939 | 5,565,173 | 7,259,539 | 7,281,523 |
| Investment | 55,654,713 | 59,969,477 | 70,819,520 | 88,349,123 | 94,968,313 |
| Loan and Advances | 82,097,416 | 97,501,323 | 139,950,468 | 160,778,434 | 202,381,998 |
| Fixed Assets | 2,159,452 | 2,419,531 | 3,362,069 | 3,731,586 | 4,969,057 |
| Non- Banking Assets | 1,120,994 | 574,480 | 681,020 | 521,164 | 383,813 |
| Other Assets | 41,899,116 | 47,009,760 | 34,422,377 | 19,319,394 | 21,749,293 |
| **Total Assets** | **207,153,313** | **239,821,957** | **282,525,736** | **312,122,442** | **367,610,510** |
| Interest Income | 11,859,588 | 12,869,658 | 18,151,359 | 20,094,407 | 23,155,80 |
| Interest Expenses | 7,258,737 | 6,462,165 | 7,375,780 | 8,330,177 | 9,814,911 |
| **Net Interest Income** | **4,600,851** | **6,407,493** | **10,775,580** | **11,764,233** | **13,340,889** |
| Commission and discount | 1,329,385 | 1,468,980 | 1,485,104 | 1,617,899 | 1,864,026 |
| Other Operating Income | 302,092 | 508,707 | 920,936 | 830,899 | 1,445,356 |
| Exchange Income | 793,942 | 972,853 | 964,506 | 1,334,356 | 1,176,151 |
| **Total Operating Income** | **7,026,270** | **9,358,033** | **14,146,123** | **15,547,386** | **17,826,422** |
| Employees Expenses | 5,653,345 | 3,707,020 | 3,876,093 | 4,952,269 | 4,815,918 |
| Other Operating Expenses | 1,846,542 | 2,022,798 | 2,654,530 | 2,852,566 | 3,018,031 |
| Exchange Loss | 26 | 0 | 18,600 | 0 | 62,233 |
| **Operating Profit Before Provision** | **(473,643)** | **3,628,215** | **7,596,900** | **7,742,550** | **9,930,240** |
| Provisions for possible losses | 2,443,882 | 1,348,335 | 4,185,046 | 5,655,923 | 3,485,298 |
| **Operating Profit** | **(2,917,525)** | **2,279,880** | **3,411,855** | **2,086,630** | **6,444,942** |
| Non-Operating Income/ Expenses | 220,657 | 903,345 | 1,641,625 | 157,038 | 126,477 |
| Return From Loan Loss Provision | 577,814 | 2,127,177 | 1,465,367 | 4,583,133 | 4,310,784 |
| **Profit From Ordinary activities** | **(2,119,054)** | **5,310,402** | **6,518,846** | **6,826,802** | **10,882,203** |
| Extra ordinary Income /Expenses | (51,574) | (81,821) | (644,344) | (948,303) | (2,267,728) |
| **Net Profit including all activities** | **(2,170,628)** | **5,228,581** | **5,874,502** | **5,878,497** | **8,614,475** |
| Provision For Staff Bonus | 287,248 | 492,773 | 393,596 | 638,081 | 822,285 |
| Provision For Income Tax | 859,371 | 1,028,329 | 1,081,489 | 1,477,922 | 2,114,361 |
| -This Year | 0 | 0 | 257,769 | 1,601,979 | 2,081,830 |
| -Up to Last Year | 0 | 0 | 0 | 404,317 | 32,531 |
| **Net Profit / Loss** | **(3,317,247)** | **3,707,479** | **4,389,103** | **3,234,122** | **5,677,829** |