



Bank Supervision Report

2022/23



Nepal Rastra Bank

Bank Supervision Department

Kathmandu, Nepal

2022/2023



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The Bank Supervision Report, 2022/2023 is the annual report of the Bank Supervision Department of the Nepal Rastra Bank. It reviews policy and operational issues affecting the banking sector and its regulators/supervisors. It aims at disseminating information on the supervision of commercial banks and other issues affecting the financial sector. The annual Bank Supervision Report aims to disseminate information on the commercial banks of Nepal and focuses on the developments in FY 2022/23. However, selected developments up to the time of report finalization have been incorporated in the report.

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MESSAGE FROM THE EXECUTIVE DIRECTOR

Dear Valued Readers,

The financial sector is facing a new, significant challenge as we slowly recover from the pandemic. This challenge is spurred on by increased geopolitical turmoil, supply chain disruption, escalating inflationary pressure, and tightening financial conditions globally. Nepal's banking sector has shown resistance to the subsequent macroeconomic shock, despite the country's economy being hit by the global crisis.

The banking sector of Nepal has exhibited resilience and remained stable with strong capital and liquidity positions, providing adequate resources to support lending to the economy. As of mid-February 2024, the Core Capital Ratio and Capital Adequacy Ratio (CAR) stood at 9.56 percent and 12.30 percent, well above the minimum regulatory requirement of 8.5 percent and 11 percent respectively. Net liquidity ratio of the commercial banks was adequate at 29.01 percent leading to fall in credit-to-deposit (CD) ratio to 80.10 percent. Similarly, as on mid-February 2024, the percentage of non-performing loans increased to 3.63 percent from the previous year's NPL of 2.49 percent due to slowdown in the country's economic activity brought on by both domestic and global economic circumstances. However, the ratio is comparable to the peer countries in South Asia and is within the commercial banks' tolerance level. The return on assets and return on equity based on closing assets and equity of banks as of mid-February 2024 were 0.87 percent and 9.22 percent respectively. In FY 2022/23 twelve commercial banks underwent mergers and acquisitions resulting into six banks.

As prudential measures to maintain the safety and soundness of the banking system, a number of regulatory actions and interventions were implemented. Some of the major initiatives taken by NRB are implementation of Supervisory Information System (SIS), provision of countercyclical capital buffer of 0.5 percent for BFIs and NIFRA to be applied as of July 15, 2024, revision of stress testing guideline, issuance of ML/TF risk assessment guidelines, issuance of working guideline for Individual Bank Supervisor (IBS), carrying out supervisory review and evaluation process, etc. Similarly, Working Capital Guidelines 2079 has been amended twice and Financial Literacy Guideline, 2022 has been released.

Nepal Rastra Bank (NRB) is committed in fulfilling its objective of maintaining financial stability through effective supervision of Banks. The Bank Supervision department has been supervising commercial banking system through continuous offsite monitoring and onsite supervision. This report disseminates information regarding the performance of banking system, key initiatives taken by NRB for financial stability, major observations during onsite examinations of banks, and issues and challenges of the banking system.

Finally, I want to sincerely thank my colleagues at the Policy and Planning Unit for their diligent effort in putting together this report. I would especially want to thank Director Shubhash Chandra Ghimire for his exceptional guidance and unwavering effort in putting forth this report. Also, Deputy Director Asmita Gorkhali, Assistant Directors Erika Koirala and

Gyanendra Suwal for their valuable contributions in preparation of this report. In addition, I want to express my appreciation to all the staffs in the department for their continuous effort in performing their responsibilities.

Thank you,

Dev Kumar Dhakal

Executive Director

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CHAPTER I

1 NEPALESE BANKING INDUSTRY

The modern banking system started in Nepal in 1937 with the establishment of Nepal Bank Limited. It worked as the only financial institution in the country until the establishment of the NRB. In 1956, Nepal Rastra Bank was established as the Central Bank of Nepal in accordance with the Nepal Rastra Bank Act of 1955, which aimed to improve the country's banking system. Three different types of institutions were later established under the full ownership of the Government of Nepal (GON). They were (i) Nepal Industrial Development Corporation (NIDC in 1959) with the objectives of mobilizing capital to industrial sector and facilitating industrial development in private sector ; (ii) Rastriya Banijya Bank (RBB in 1966) with the objective of providing banking services throughout Nepal and contributing to the socio economic development of the country ; and (iii) Agriculture Development Bank Nepal (ADBL in 1968) with the objective of providing credit to agriculture sector throughout the country . The government owned all of the banking industry in Nepal up until the 1980s, with RBB, ADBL, NBL, and NRB acting as the cornerstones of the country's financial system. However, until mid-1980s, Nepal's financial system was largely undeveloped and concentrated.

GON adopted economic liberalization measures following the nation's sustained balance of payments problem in the early 1980s. The private sector's involvement in the banking business rose dramatically during the 1980s financial deregulation. Under the government's liberalized policy, Nepal Arab Bank Limited (now Nabil Bank Limited) became the first joint-venture bank in 1984. As the second and third joint-venture banks, Nepal Indosuez Bank (later named as Nepal Investment Bank) and Nepal Grindlays Bank (now Standard Chartered Bank Nepal) were established in 1986 and 1987, respectively. In 1992, three major acts—the Finance Company Act of 1985, the Company Act of 1964, and the Development Bank Act of 1996—paved the way for the entry of other development banks, finance companies, micro-credit development banks, savings and credit cooperatives, and non-governmental organizations (NGOs) doing limited banking transactions. However, it was felt that numerous legislations pertaining to the banking and financial institution sector made the system of regulation and monitoring extremely cumbersome. Consequently, all those diverse acts were combined under the 'Bank and Financial Institution Act (BAFIA), 2006' as part of the financial sector reform process. This Act, often known as the Umbrella Act, classified all banks and financial institutions into four groups according to the distinctions in their responsibilities: Group A as commercial bank; Group B as development bank; Group C as finance company; and Group D as microfinance institutions.

Nepal's financial system grew significantly post financial liberalization and enactment of BAFIA. There were just two commercial and two development banks operating in 1985. In 2012, the number reached a maximum of 220. However, the number of these institutions drastically decreased once the NRB's merger and acquisition policy was introduced in 2011

and mandatory provision was made to nearly quadruple paid-up capital. (Refer to Annex 1: Growth of Financial Institutions (numbers))

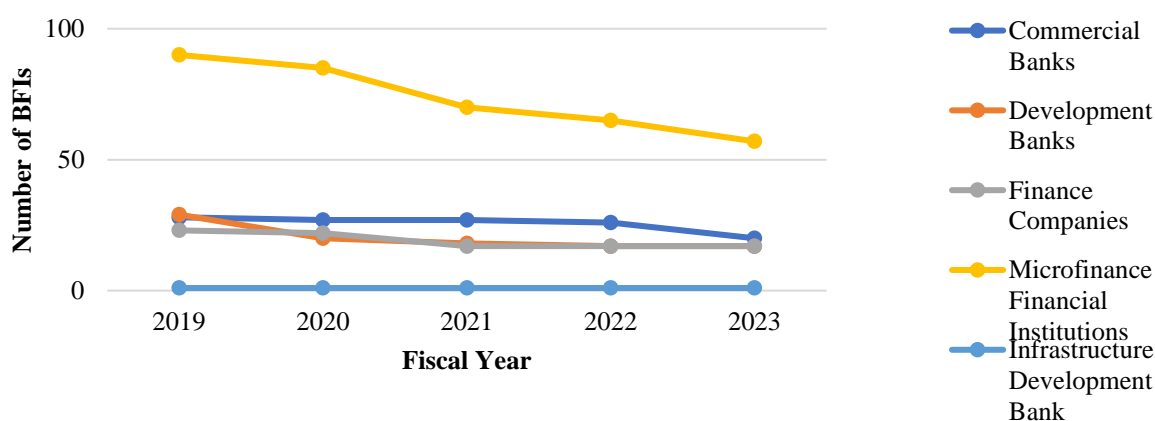
Types of Financial Institutions	Mid-July												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Commercial Banks	31	32	31	30	30	28	28	28	28	27	27	26	20
Development Banks	87	88	86	84	76	67	40	33	29	20	18	17	17
Finance Companies	79	69	59	53	48	42	28	25	23	22	17	17	17
Micro-finance Financial Institutions	21	24	31	37	38	42	53	65	90	85	70	65	57
Infrastructure Development Bank	-	-	-	-	-	-	-	-	1	1	1	1	1
Total	218	213	207	204	192	179	149	151	172	155	133	126	112

(Source: Bank and Financial Institutions Regulation Department, NRB). As of mid-July 2023, there had been 112 BFIs in operation as licensed by NRB: 20 Commercial Banks, 17 Development Banks, 17 Finance Companies, 57 Microfinance Financial Institutions and 1 Infrastructure Development Bank. Similarly, the number of BFIs branches stood at 11,589 in mid-July 2023.

Table 1-1: Number of BFIs in last five years in Nepal (mid-July)

BFIs	2019	2020	2021	2022	2023
Commercial Banks	28	27	27	26	20
Development Banks	29	20	18	17	17
Finance Companies	23	22	17	17	17
Microfinance Financial Institutions	90	85	70	65	57
Infrastructure Development Bank	1	1	1	1	1

Figure 1-1: Number of BFIs in last five years in Nepal



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

Table 1-2: Asset Share of Banks and Financial Institutions (mid-July, 2018 to 2023)

Bank and Financial Institutions	Percent Share as on mid-July					
	2018	2019	2020	2021	2022	2023
Commercial Banks	82.76	80.88	83.61	83.21	82.42	82.91
Development Banks	9.99	10.67	7.83	8.01	8.39	8.59
Finance Companies	2.56	2.47	2.40	1.94	2.08	1.99
Micro Finance Institutions	4.69	5.99	6.16	6.84	7.11	6.51
Total	100.00	100.00	100.00	100.00	100.00	100.00

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

Table 1-2 shows the dominance of commercial banks, with the share of 82.91 percent of total assets of the Nepalese banking industry. Share of development banks increased from 8.39 percent in FY 2021/22 to 8.59 percent in FY 2022/2023. In contrary, the share of finance companies decreased to 1.99 percent from 2.08 percent during the review period and the share of microfinance financial institutions decreased from 7.11 percent to 6.51 percent in mid-July 2023.

Table 1-3: Deposit Share of Banks and Financial Institutions (mid-July, 2018 to 2023)

Bank and Financial Institutions	Percent Share as on mid-July					
	2018	2019	2020	2021	2022	2023
Commercial Banks	85.62	83.72	86.39	86.33	85.46	85.65
Development Banks	10.46	11.58	8.78	9.15	9.58	9.63
Finance Companies	2.20	2.21	2.20	1.83	1.97	1.91
Micro Finance Institutions	1.72	2.49	2.63	2.68	2.99	2.81
Total	100.00	100.00	100.00	100.00	100.00	100.00

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

Table 1-3 shows the dominance of commercial banks, with the share of 85.65 percent of total deposits of the Nepalese banking industry. Share of development banks increased from 9.58 percent in FY 2021/22 to 9.63 percent in FY 2022/2023. In contrary, the share of finance companies decreased to 1.91 percent from 1.97 percent during the review period and the share of microfinance financial institutions decreased from 2.99 percent to 2.81 percent in mid-July 2023.

With the emergence of numerous financial institutions, financial access and inclusion has been enlarged. The number of branches of banks and financial institutions has been expanding substantially. As of mid-July 2023, total number of branches of regulated Banks and Financial Institutions (BFIs) comprising Commercial Banks, Development Banks and Finance Companies has reached 6,461. The total branches of microfinance have reached 5,128. The numbers of local level without branches of commercial banks have come down to 1. The total numbers of deposit accounts in BFIs are 51,177,923 and loan accounts are 1,845,213 as of mid-July 2023. Similarly, number of branchless banking centres and branchless banking customers reached 1,319 and 320,749 respectively as of mid-July 2023. Further, number of mobile banking customers, internet banking customers, ATMs, Debit Cards, Credit Cards and pre-paid cards on mid July 2023 reached to 21,363,989; 1,856,195; 4,855; 12,245,485; 283,772 and

137,120 respectively. Population per branch (served by A, B and C class BFIs) stood at 4,514¹ as of mid-July 2023. The population per branch when considering all categories of BFIs stood at 2,517 in the given period, which was 2,532 in the previous year.

1.1 The Commercial Banking

Commercial banks, also refer as “A” class banks, are the biggest banks in terms of assets size, scope of activities, number of branches and impact on economy among all categories of BFIs. While most of these banks have domestic private investment, few have investment from government and foreign companies as well. Based on ownership and control, commercial banks in Nepal can be broadly categorized into two groups as public (state-owned) and private banks (non-state-owned). As of mid-July 2023, there are 3 public (state-owned) and 17 private (non-state-owned) banks. Among the 3 public banks, Government of Nepal (GoN) owns 99.97 percent equity shares of Rastriya Banijya Bank Limited, 51 percent in the equity capital of Nepal Bank Limited (NBL) and Agricultural Development Bank Limited (ADBL) each. Private banks in Nepal can be further re-grouped into domestically owned banks and foreign joint venture banks. Public holding of equity is assured by Section 9, Sub-section 1 of Bank and Financial Institution Act (BAFIA), 2073, which require banks to issue minimum of 30 percent of the issued share capital to the general public.

With the implementation of merger and acquisition policy by NRB, the number of commercial banks has decreased considerably and reached to 20 in FY 2022/23. The following table summarizes the list of commercial banks in Nepal as on mid July 2023.

Table 1-4: List of Commercial Banks in Nepal (mid-July, 2023)

S. N.	Name	Operation Date (A.D.)	Head Office
1	Nepal Bank Ltd.	1937/11/15	Dharmapath, Kathmandu
2	Agricultural Development Bank Ltd.	1968/01/21	Ramshahpath, Kathmandu
3	Nabil Bank Ltd.	2022/07/11*	Beena Marg, Kathmandu
4	Nepal Investment Mega Bank Ltd.	2023/01/11*	Durbarmarg, Kathmandu
5	Standard Chartered Bank Nepal Ltd.	1987/02/28	Naya Baneshwor, Kathmandu
6	Himalayan Bank Ltd.	2023/02/24*	Kamaladi, Kathmandu
7	Nepal SBI Bank Ltd.	1993/07/07	Kesharmahal, Kathmandu
8	Everest Bank Ltd.	1994/10/18	Lazimpat , Kathmandu
9	Kumari Bank Ltd.	2023/01/01*	Tangal, Kathmandu
10	Laxmi Sunrise Bank Ltd.	2002/04/03	Hattisar, Kathmandu
11	Citizens Bank International Ltd.	2007/04/20	Narayanhitipath, Kathmandu
12	Prime Commercial Bank Ltd.	2007/09/24	Kamalpokhari, Kathmandu
13	Sanima Bank Ltd.	2012/02/15	Alkapuri, Naxal, Kathmandu
14	Machhapuchhre Bank Ltd.	2012/07/09*	Lazimpat, Kathmandu
15	NIC Asia Bank Ltd.	2013/06/30*	Thapathali, Kathmandu

¹ Population 29,164,578 based on final population report 2078 (Census Nepal 2021) Source :censusnepal.cbs.gov.np

16	Global IME Bank Ltd.	2023/01/09*	Kamaladi, Kathmandu
17	NMB Bank Ltd.	2019/09/28*	Babarmahal, Kathmandu
18	Prabhu Bank Ltd.	2023/01/10*	Babarmahal, Kathmandu
19	Siddhartha Bank Ltd.	2016/07/21*	Hattisar, Kathmandu
20	Rastriya Banijya Bank Ltd.	2018/05/02*	Singhadurbar Plaza, Kathmandu

*Joint operation date after merger/acquisition.

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

Although the number of commercial banks has decreased in the last few years due to the consolidation policy (merger and acquisition policy) adopted by NRB, substantial increment in minimum capital requirement, increase in bank branches and the total volume of loans and deposits demonstrate a considerable increase in access/outreach and business. Total deposits of the commercial banks have increased from Rs.4,442.42 billion in FY 2021/22 to Rs.5,086.24 billion in FY 2022/23. The deposits of public (state-owned) banks grew by 23.33 percent while those of private (non-state-owned) banks increased by 10.35 percent.

Similarly, loans and advances of commercial banks reached to Rs.4265.57 billion as of mid-July 2023, compared to a total of Rs. 4153.45 billion as of mid-July 2022 with increment of 2.70 percent. The loans and advances of public banks grew by 4.41 percent while those of private banks have increased by 2.42 percent.

Total assets of commercial banks increased by 6.72 percent to Rs.6180.51 billion when compared to Rs.5791.58 billion of the previous year. Total assets grew by 14.34 percent in public banks while it grew by 5.43 percent in private banks.

Commercial banks employed 45,610 individuals (including permanent and contract staffs) as of mid-July 2023. The private (non-state-owned) banks employed approximately 83 percent while three public (state-owned) banks employed approximately 17 percent.

1.2 Branch Network of Commercial Banks

Total number of branches of commercial banks increased from 5,009 in mid-July 2022 to 5,049 in mid-July 2023 (Refer to Annex 2: Province-Wise Distribution of BFIs branches (Mid- July FY 2022/23) for details) and has slightly declined to 5,036 at the mid-February 2024 due to consolidation of duplicated branches post-merger and acquisition. NRB has been promoting financial access through policies that encourage banks to open a larger number of branches in rural areas. However, still most banking services are concentrated into the urban and semi-urban areas.

Table 1-5: Branches of Commercial Banks

S. N.	Name of Banks	2018	2019	2020	2021	2022	2023	2024
		Mid-July						Mid-Feb
1	Nepal Bank Ltd.	140	173	211	252	266	285	288
2	Rastriya Banijya Bank Ltd.	212	245	271	278	293	333	346
3	NABIL Bank Ltd.	74	81	124	153	247	284	288
4	Nepal Investment Bank Ltd.	89	105	109	116	121	-	-
5	Standard Chartered Bank Nepal Ltd.	15	15	15	15	15	15	15

6	Himalayan Bank Ltd.	58	54	67	77	81	211	196
7	Nepal SBI Bank Ltd.	83	108	108	108	113	116	120
8	Nepal Bangladesh Bank Ltd. ¹	72	97	105	108	-	-	-
9	Everest Bank Ltd.	90	95	99	107	122	131	132
10	Bank of Kathmandu Ltd. (BOK) ²	83	96	99	101	114	-	-
11	Nepal Credit and Commerce Bank Ltd. ³	108	129	133	143	170	-	-
12	NIC Asia Bank Ltd.	237	330	424	427	462	472	476
13	Machhapuchhre Bank Ltd.	88	132	165	168	174	179	178
14	Kumari Bank Ltd.	88	93	186	203	212	350	354
15	Laxmi Bank Ltd. ⁷	96	110	126	138	155	-	-
16	Siddhartha Bank Ltd.	121	156	186	189	190	197	197
17	Agricultural Development Bank Ltd.	250	264	268	282	286	287	287
18	Global IME Bank Ltd.	132	163	294	321	341	423	420
19	Citizens Bank International Ltd.	79	75	110	190	179	191	193
20	Prime Commercial Bank Ltd.	63	67	198	186	181	190	192
21	Sunrise Bank Ltd. ⁷	92	118	145	152	153	-	-
22	NMB Bank Ltd.	118	114	172	190	212	213	213
23	Janata Bank Nepal Ltd. ²	121	145	-	0	0	-	-
24	Mega Bank Nepal Ltd. ⁴	105	121	236	211	233	-	-
25	Civil Bank Ltd. ⁶	69	90	115	123	127	-	-
26	Century Commercial Bank Ltd. ⁵	103	121	123	136	155	-	-
27	Sanima Bank Ltd.	74	79	88	103	127	132	133
28	Prabhu Bank Ltd.	164	214	259	276	280	368	371
29	Nepal Investment Mega Bank Ltd.	-	-	-	-	-	358	335
30	Laxmi Sunrise Bank Ltd.	-	-	-	-	-	314	302
	Total	3,024	3,590	4,436	4,753	5,009	5,049	5,036

1-Nepal Bangladesh Bank Ltd. merged with Nabil Bank Ltd.

2-Janata Bank Nepal Ltd. and Bank of Kathmandu Ltd. merged with Global IME Bank Ltd.

3-Nepal Credit and Commerce Bank Ltd. merged with Kumari Bank Ltd.

4-Mega Bank Nepal Ltd. merged with Nepal Investment Bank Ltd. and formed Nepal Investment Mega Bank Ltd.

5-Century Commercial Bank Ltd. merged with Prabhu Bank Ltd.

6-Civil Bank Ltd. was acquired by Himalayan Bank Ltd.

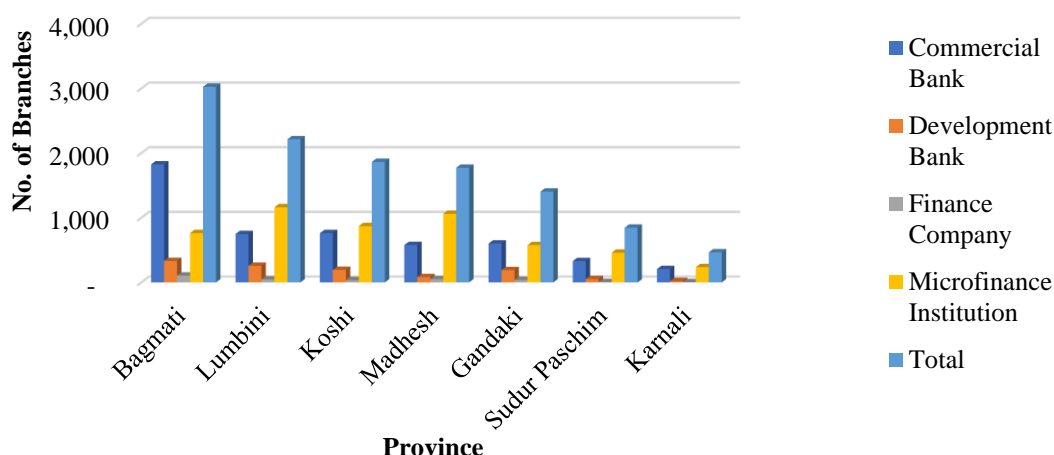
7-Sunrise Bank Ltd. merged with Laxmi Bank Ltd. and formed Laxmi Sunrise Bank Ltd.

Note: Branches include banking branch, city office, corporate office, extension counter, head office and microfinance branch and excludes others and regional office

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

Table 1-3 shows that as on mid-July 2023, NIC Asia Bank Ltd. had the largest number of branches i.e. 472 branches followed by Global IME Bank Ltd. with 423 branches. The public banks (Nepal Bank Ltd., Rastriya Banijya Bank Ltd., and Agriculture Development Bank Ltd.) had 285, 333, and 287 branches respectively. Commercial banks branches have been concentrated in Bagmati province with 1,824 branches (36.13 percent of total branches of commercial banks) followed by Koshi province with 762 and Lumbini province with 748 branches. Karnali province had the lowest number of branches of commercial banks i.e.206 (only 4.08 percent of total commercial banks' branches). The chart below demonstrates the province-wise presence of BFIs.

Figure 1-2: Number of BFIs Branches Province-wise (As of mid-July 2023)



1.3 Major Financial Indicators of Commercial Banks

Table 1-6 shows major financial indicators of commercial banks of Nepal as on mid July 2019-2023. Some of the major changes observed in mid July 2023 are decreased total credit / GDP ratio and increased net liquidity, SLR, fixed deposit/ total deposit, NPL ratio, weighted average interest rate on credit, base rate and interest spread.

Table 1-6: Major Financial Indicators of Commercial Banks (mid-July, 2019 to 2023) (in Percent)

S. N.	Major Financial Indicators	2019	2020	2021	2022	2023
1	Total Deposit / GDP	83.14	92.65	98.56	93.68	94.52
2	Total Credit / GDP	72.17	77.26	87.19	86.22	80.15
3	Total Credit / Total Deposit	86.81	83.39	88.47	92.04	84.80
4	CD Ratio	77.04*	70.14*	77.88*	86.47	83.00
5	Net Liquidity	27.47	29.96	27.77	25.48	29.10
6	Statutory Liquidity Ratio (SLR)	20.32	24.02	21.97	19.88	24.35
7	Fixed Deposit / Total Deposit	45.42	47.18	45.65	53.62	56.98
8	Saving Deposit / Total Deposit	31.30	31.16	33.92	27.76	26.87
9	Current Deposit / Total deposit	10.47	11.17	11.31	9.98	8.68
10	Call Deposit / Total deposit	11.69	9.53	8.05	7.26	6.56
11	NPL / Total loan	1.40	1.81	1.41	1.20	2.98
12	Total LLP / Total Loan	2.05	2.44	2.42	2.28	2.52
13	Deprived Sector Loan / Total Loan	6.07	6.25	7.43	6.83	6.49
14	Cash & Bank balance / Total Deposit	11.30	12.29	9.79	8.16	8.21
15	Investment in Govt. Securities / Total Deposit	12.33	14.26	15.32	18.01	18.07
16	Total Liquid Assets / Total Deposit	24.41	27.52	25.96	27.27	26.93
17	Core Capital / RWA	12.38	11.78	10.92	10.73	10.53
18	Total Capital / RWA	13.95	14.01	14.13	13.53	13.37
19	Wt. Average Interest on Deposit	6.60	6.01	4.76	7.41	7.86
20	Wt. Average Interest on Credit	12.16	10.11	8.43	11.62	12.30

21	Base Rate	-	-	6.88	9.54	9.98
22	Interest Spread	-	-	3.61	4.19	4.45

* denotes Credit to Core Capital plus Deposit (CCD)Ratio

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

1.4 Review of the Guiding Documents

The following are the key documents, which guide the NRB's regulatory and supervisory function:

- Nepal Rastra Bank Act, 2002,
- Bank and Financial Institutions Act, 2017
- Company Act, 2017
- Nepal Rastra Bank, Inspection and Supervision Bylaws, 2074 (First Amendment 2079)
- Unified Directives published annually, and Circulars issued from time to time
- Capital Adequacy Frameworks
- Nepal Rastra Bank, Prompt Corrective Actions Bylaws, 2012
- Monetary Policy Announcements
- Assets (Money) Laundering Prevention Act, 2008
- Several Guidelines issued by Nepal Rastra Bank
- Risk-Based Supervision Manual, Volume I & II
- Off-site Supervision Manual, 2022

1.5 Nepal Rastra Bank as a Regulator and a Supervisor

Nepal Rastra Bank is entrusted with carrying out the duties of regulating and supervising banks and financial institutions in the country. The Nepal Rastra Bank Act, 2002, has entrusted NRB to regulate and supervise Nepalese banking industry. Similarly, the Bank and Financial Institution Act, 2017 empowers NRB to regulate and supervise institutions established under the Act. NRB issues various directives, guidelines, and policies to the licensed institutions, considering domestic banking conditions and international best practices. There is a separate department named Banks and Financial Institutions Regulation Department (BFIRD) assigned with such responsibility.

NRB supervises Banks and Financial Institutions (BFIs) based on the existing legal framework, regulations issued through BFIRD, internal manuals, guidelines issued by the Basel Committee on Banking Supervision (BCBS). There are four supervision departments among which Bank Supervision Department (BSD) supervises commercial banks as well as Infrastructure Development Bank. Additionally, Financial Institutions Supervision Department (FISD) supervises development banks and finance companies; Micro Finance Supervision Department (MFSD) supervises microfinance institutions; and Non-Bank Financial Institutions Supervision Department supervises institutions involved in foreign exchange transactions, Hydroelectricity Investment and Development Company Ltd., hire purchase companies and co-operative bank.

NRB follows risk-based approach for supervision of commercial banks and national level development banks. It is gradually applying this approach for supervision of other BFIs. Under risk-based supervision, major risk areas as well as other important areas of banks are assessed, risk profiles are developed/ created on the basis of quantity of the risk, quality of the risk management procedures and direction of the risks, and significant issues are communicated to the concerned bank for necessary corrective action and improvement in the coming days.

To further strengthen the supervisory and regulatory function, NRB introduced Supervisory Information System (SIS), a platform for receiving data from BFIs. Currently, the data received from SIS is being used for offsite surveillance as well as for onsite inspection of banks. NRB has recently implemented onsite module of SIS, where functions related to onsite inspection such as creating onsite team, preparing scope of inspection, preparing and approving onsite inspection reports, communicating with banks and enforcement of inspection findings are carried out.

CHAPTER II

2 BANK SUPERVISION

2.1 Supervision Function

As mandated by the Nepal Rastra Bank Act, 2002 and the Bank and Financial Institution Act, 2017, NRB regulates and supervises banks and financial institutions with the objective to increase the access of the financial service and increase the public confidence towards the banking and financial system by maintaining stability of the banking and financial sectors.

2.2 Bank Supervision Department (BSD)

BSD is responsible for executing the supervisory policies and practices as per governing laws, regulations, and policies to all Commercial banks (Class ‘A’ Banks) and Infrastructure Development Bank. The Department prepares an annual supervision plan and supervises banks as per the approved plan. The supervisory process includes full-scope on-site inspection, targeted inspection, special inspection, follow-up inspection and inspection related to the Anti-Money Laundering/Combating the Financing of Terrorism/Combating of Proliferation Financing (AML/CFT/CPF). The on-site inspection is supported by an off-site supervision function, which is responsible for the analysis of data submitted by banks.

2.3 Supervision Methodology

BSD continues to adopt and implement the core principles and guidelines recommended by the Basel Committee. Supervision has been conducted through both on-site and off-site programs. The Risk Based Supervision approach adopted since 2014 emphasizes on assessing the quantity of risks and the quality of risk management of BFIs. As part of Risk Based Supervision, key areas including capital adequacy, asset quality, risk management, board and senior management oversight, internal controls, compliance, audit functions are reviewed. Necessary directions are given for improvement and actions are taken for non-compliance issues.

Risk based supervision is conducted based on guidelines set by the Risk Based Supervision manual which guides supervisors for Bank’s risk assessment and profiling. Risk profiling enables NRB to decide upon the supervisory regime for each bank and helps NRB to channel its resources in high-risk areas. Subsequent on-site inspections are being planned and conducted in accordance with the risk profile of the banks. The onsite inspection is supported by an offsite surveillance function which involves continuous monitoring of the banks by analysing the returns/reports received from banks. Likewise, the enforcement function oversees implementation of supervisory directions given for corrective action on issues identified during the on-site inspection process.

2.4 Organization Structure of BSD

The Department comprises four divisions: On-site Inspection and Enforcement Division; Off-site Supervision and Supervisory Information System Division; Money Laundering Prevention Supervision Division; and Policy and Planning, Special Inspection and Internal Administration Division. (*Refer to Annex 3: Organisation Chart of BSD*) These divisions are further divided into various units to facilitate effective execution of the department's functions.

2.4.1 Onsite Inspection and Enforcement Division

On-site inspections of banks are conducted as per the approved annual plan of the department. Based on the bank's risk profile and the relative asset size of the bank, a full scope or a targeted onsite inspection is conducted at least once a year for each bank. (*Refer to Annex 4: Onsite Inspections in FY 2022/23*) Onsite inspections are carried out as per Risk Based Supervision (RBS) manual. Supervisory inspection is conducted as:

- Initial Inspection: Conducted within six months of the commencement of operation by a new bank.
- Routine full-scope Inspection: Regular inspection, generally carried out at least once a year for each bank – targeted or full scope based on risk profile and relative size of the bank.
- Targeted Inspection: Addresses specific areas of risks/operation of a bank e.g. credit, trade finance, etc. that have been identified as major risk areas in the previous full scope onsite inspection and is conducted as per the approved plan of the department.
- Special Inspection: Ad-hoc basis as per situation and need.

Similarly, Enforcement function of the division ensures the compliance of supervisory directions given to the individual banks through the onsite reports; directions given to banks while approving proposed dividend and providing NRB's consent on bank's financial statement to present it in the Annual General Meeting (AGM) for approval; and other directions, if any, given to bank from time to time. This division prepares periodic enforcement reports to communicate the status of compliance by each bank. Each unit under the division also prepares quarterly report of the individual banks focusing on the major financial indicators and the compliance status of the given directions.

Currently, Onsite Inspection and Enforcement Division have three units headed by Deputy Directors. Each unit has to look over the enforcement function related to the banks assigned to them. Twelve officers (including Deputy Director and Assistant Director) are deployed in this division.

2.4.2 Off-site Supervision and Supervisory Information System (SIS) Division

Off-site Supervision and Supervisory Information System (SIS) Division comprises four units. They are:

Compliance Unit

Compliance Unit is responsible for supervising bank operations based on data and reports submitted by banks. This section ensures that banks comply with the provisions such as cash reserve ratio (CRR), statutory liquidity ratio (SLR), credit to deposit ratio (CD), capital adequacy ratio (CAR), interest rate spread, priority/targeted sector lending (agriculture, energy and small and medium enterprises sector lending) and deprived sector lending (DSL) and also initiate regulatory action for non-compliance. It also provides feedback to the onsite inspection teams and identifies red flag areas that need to be focused during onsite inspections.

Financial Analysis Unit

Financial Analysis Unit reviews and analyses the financial performance of banks using prudential reports, statutory returns and other relevant information. It monitors the trend and development of financial indicators of the banking sector as a whole and generates industry reports on a quarterly basis. This unit assesses health of individual bank and overall commercial banks. This unit monitors, reviews, and analyses return of banks and prepare reports to detect emerging problems and early warning indicators/signals. The returns are used to evaluate the exposure to risks and the effect this could have on profits. The statutory returns are the basis for computing basic ratios to analyse capital adequacy, assets quality, earnings, liquidity and sensitivity to market risk (CAELS). The unit also compiles and analyses financial data and prepare reports on a regular, as well as specific case basis. Further, this unit is also responsible for approving dividend proposal of commercial banks and providing consents to present their annual financial statement in Annual General Meeting (AGM).

Evaluation and Monitoring Unit

Evaluation and Monitoring unit reviews the data submitted by Banks in the Supervisory Information System (SIS) to ascertain the quality and adequacy of data submitted by the banks. As an analytical wing, it analyses returns submitted by banks, monitors key banking indicators and prepares prudent supervisory information aimed at supporting decision-making. The unit is also responsible to review the Risk Management Report, Internal Capital Adequacy Report, IT Audit Report, Banks' Annual Plan and Environmental and Social Risk Management (ESRM) Report submitted by banks. It also conducts meetings with the board and senior management of banks at regular interval as a part of Supervisory Review and Evaluation Process.

SIS Unit

NRB has recently developed Supervisory Information System (SIS) with the primary objective of strengthening the offsite supervisory capacity of all supervision departments. SIS is a system used by NRB for supervising and regulating licensed institutions. It is a specialized software system developed and maintained by NRB to facilitate the collection and analysis of financial data and information from licensed institutions. It helps NRB monitor the health of financial institutions, assess risks, and make informed decisions regarding regulatory actions and policies. It is an end to end XBRL reporting & business intelligence tool.

SIS has basically three modules; Offsite (including NRB iFile installer), Onsite and Output (Business Intelligence). It can gather all the data needed from licensed BFIs, including product papers, policies, and guidelines, among other things. This helps the onsite and offsite surveillance teams by giving them the information they need in a timely way. SIS serves as an effective tool to further enhance the efficiency of the supervisory framework by improving offsite surveillance assisted by the highly disintegrated data and analytical tools. Through automated workflow supported by the onsite module, it further supports efficient onsite and enforcement processes and improves feedback and cooperation between onsite and offsite supervision roles. Additionally, it makes reporting entities' reporting procedure easier.

The SIS implementation team in NRB includes five staffs (including deputy director), who coordinate with NRB staffs as well as vendor, and support the staff of BFIs. Based on SIS Implementation Action Plan, 2022 approved by NRB Board on December 20, 2022, NRB has started phasing out the existing system on Daily Liquidity (NRB01) and Interbank Transactions (NRB02) reported by Class A, B, C & IDB and has started to rely fully on data reported through SIS from mid-January, 2023. Similarly, NRB has issued circular to Class A, B, C & IDB regarding start of monitoring of compliance related data from SIS from mid-July, 2023 and concerned Supervision Departments has started to monitor the compliance based on data reported in SIS.

2.4.3 Money Laundering Prevention Supervision Division

Money Laundering Prevention Supervision Division is responsible for overseeing AML/CFT/CPF related compliance and risk assessment. The division consists of three Deputy Directors and five Assistant Directors. The division is responsible for developing ML/TF/PF risk profile of Banks and Financial Institutions and Non-Bank Financial Institutions by conducting risk-based onsite inspections and offsite surveillance, and supports the national risk assessment task.

This division comprises two units i.e. Onsite Inspection Unit; and Off-site Supervision and Enforcement Unit. Onsite Inspection Unit conducts onsite inspection of BFIs based on approved annual inspection plan to ensure the compliance of AML/CFT/CPF related national and international regulatory provisions and assesses the risk associated with the non-compliance of these provisions. Off-site Supervision and Enforcement Unit analyses and ensures the compliance of AML/CFT/CPF related provisions based on the data and reports submitted by BFIs and also initiates regulatory action for non-compliance. Similarly, this unit also ensures the compliance of supervisory directions given to banks and financial institutions through onsite reports.

Money Laundering Prevention Supervision Division also cooperates and coordinates with Financial Information Unit (FIU), Office of the Prime Minister, Department of Money Laundering Investigation and other public sector agencies/entities for their works.

2.4.4 Policy and Planning, Special Inspection and Internal Administration Division

This Division comprises of three units. They are:

Bank Supervision Report, 2022/2023

Policy and Planning Unit

The Policy and Planning Unit regularly monitors the developments in international financial environment, the guidelines issued by the Basel Committee of Banking Supervision and emerging issues in banking regulation and supervision. It incorporates the findings to propose required changes in the existing policies and in preparing the annual plan of the Department, as well. The unit also undertakes studies for improving supervisory tools and techniques and coordinates with international regulators and supervisory agencies to share knowledge and bring best practices in banking supervision in the country. The unit exchanges information with international regulators and supervisors in matters related to banking supervision.

Further, the unit reviews and formulates the annual plans of the department in line with NRB's strategic plan, conducts and coordinates interaction programs, seminars and workshops on the supervision-related issues. It also prepares the annual report of the department as prescribed in the Inspection and Supervision Bylaw.

Internal Administration Unit

The Internal Administration Unit performs the functions related to management of human resources and internal administration within the department. Its tasks include providing logistics within the department, issuance of travel orders, maintaining leave records and also serving as the back office. It also keeps the records of the staff participation in international trainings and seminars. This unit is responsible for looking after procurement for BSD such as supply of office logistics and stationery in coordination with the Asset and Service Management Department of NRB. This unit also helps in coordination between other units to carry out the functions more smoothly and effectively.

Special Inspection Unit

Special inspection unit inquires and follows up on the banking-related complaints made in grievance portal as well as complaints filed directly at NRB, coming through public, media and government authorities as well as upon the findings of off-site surveillance and as per need assessment of NRB. The unit arranges special inspection teams for onsite examination if found necessary. It also inquires and monitors complaints based on the findings of off-site surveillance and in accordance with the NRB's need assessment.

(Refer to Annex 5: Special Inspection of Commercial Banks in FY 2022/23)

CHAPTER III

3 OPERATIONAL PERFORMANCE OF COMMERCIAL BANKS

Commercial banks started to publish their financial statements in accordance with Nepal Financial Reporting Standards (NFRS) from FY 2017/18 as per the direction of NRB. NFRS has been based on International Financial Reporting Standards (IFRS).

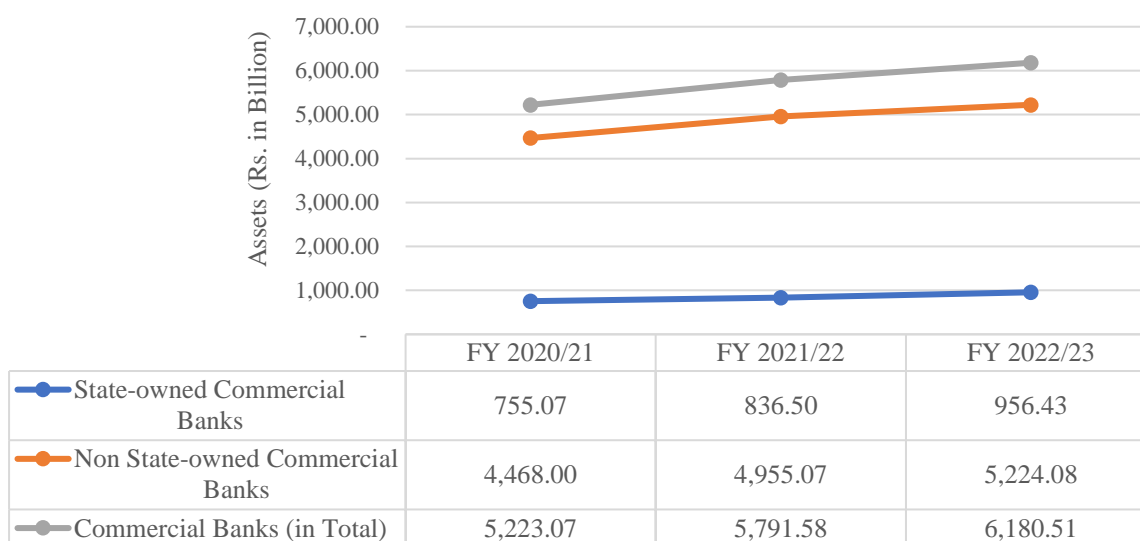
The operational performance of the BFIs is summarized below:

3.1 Assets

The total assets of the commercial banks have increased by 6.72 percent to Rs. 6,180.51 billion in the FY 2022/23 compared to a growth of 10.88 percent in FY 2021/22. In the review year, the total assets increased by 14.34 percent in state-owned banks and by 5.43 percent in the non-state-owned banks. The major contribution in the increment in total assets of the commercial banks was from the increment in the total loan portfolio.

(Refer to Annex 7.1: Banking Operation for details)

Figure 3-1: Total Assets of Commercial Banks (mid-July, 2021 to 2023)

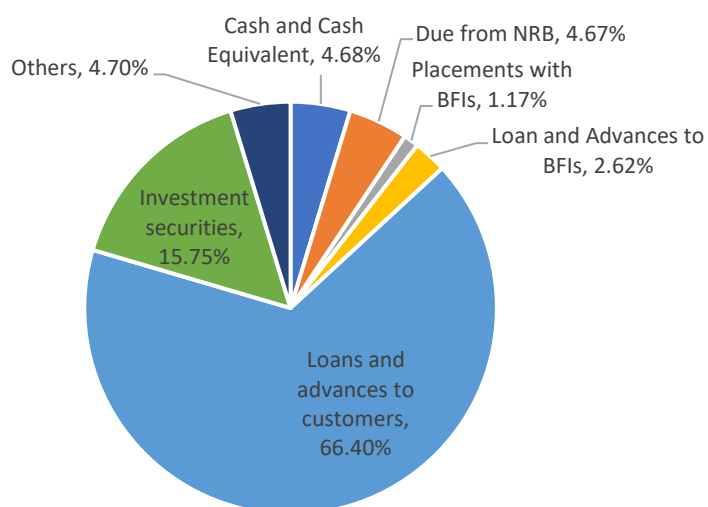


3.2 Composition of Assets

Loans & advances to customers are the major assets of commercial banks. As on mid-July 2023, it amounted to Rs. 4,103.89 billion, which was 66.40 percent of total assets. Similarly, the second and third largest components were investment in securities and cash & cash equivalents, which were 15.75 percent and 4.68 percent of total assets respectively.

(Refer to Annex 7.2: Composition of Assets for details)

Figure 3-2: Composition of Assets of Commercial Banks (mid-July 2023)

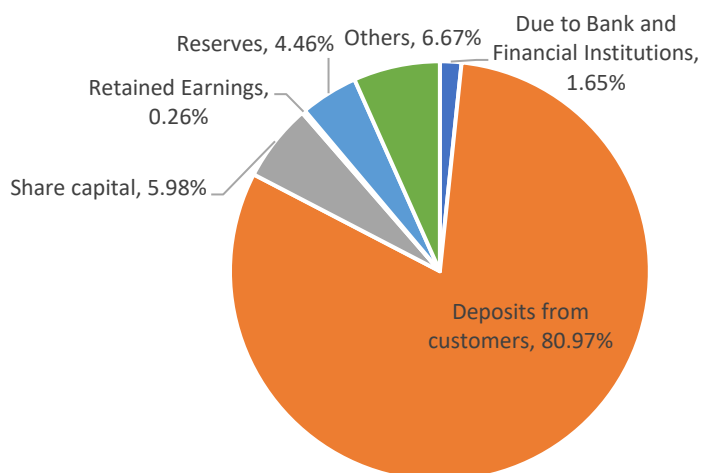


3.3 Composition of Liabilities

The largest source of fund of the commercial banks has been deposit from customers. It stood at Rs. 5,004.42 billion as of mid-July 2023, which was 80.97 percent of total sources of fund. The second and third largest sources were others and share capital, which were 6.67 percent and 5.98 percent respectively in the given period.

(Refer to Annex 7.3: Composition of Liabilities and Equity for details)

Figure 3-3: Composition of Liabilities of Commercial Banks (mid-July 2023)



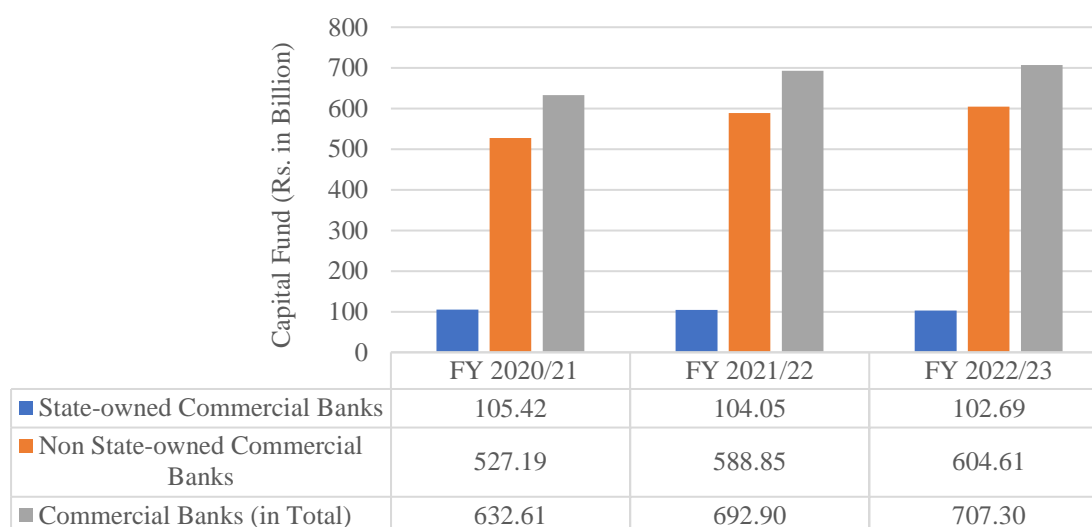
3.4 Capital Fund

The consolidated capital fund of the commercial banks showed growth of 2.08 percent to Rs.707.30 billion in the review year. Capital fund of state-owned banks had slightly declined by 1.31 percent to Rs.102.69 billion whereas it increased by 2.68 percent to Rs.604.61 billion

in case of non-state-owned banks. The growth in capital fund was mostly due to increment in profit of BFIs.

(Refer to Annex 7.4: Capital Fund for Details)

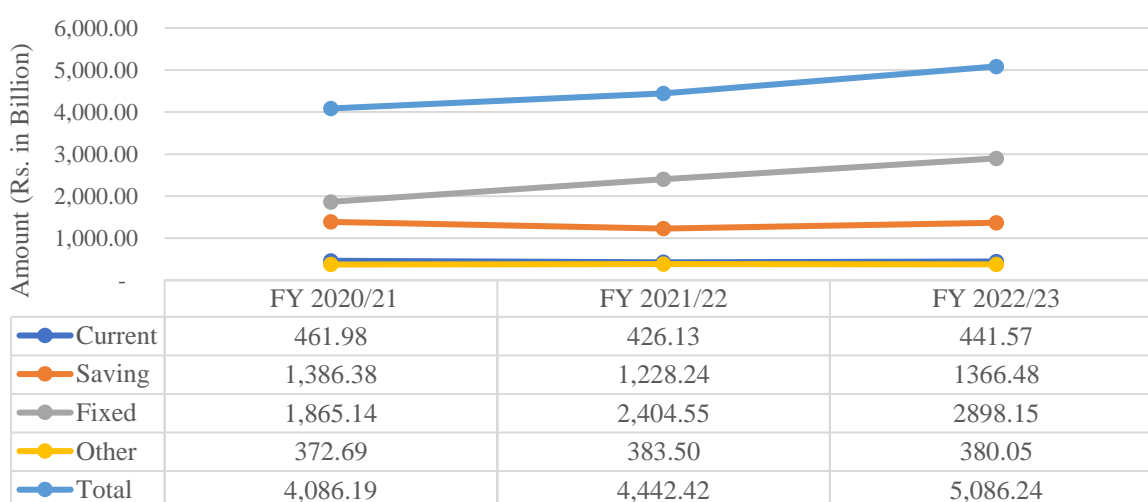
Figure 3-4: Capital Fund of Commercial Banks (mid-July, 2021 to 2023)



3.5 Deposit

Total deposits of the commercial banks increased by 14.49 percent to Rs. 5,086.24 billion in the review year compared to a growth of 8.72 percent in the previous fiscal year.

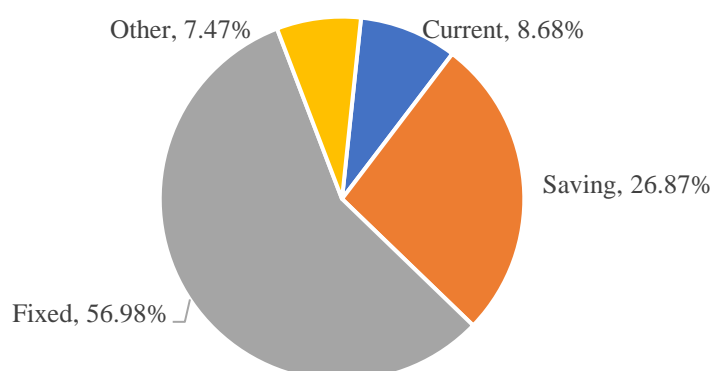
Figure 3-5: Deposit Mix of Commercial Banks (mid-July, 2021 to 2023)



Fixed and saving deposits are the major components in the deposits of the Commercial banks. In the review year, the fixed deposits increased with the highest rate i.e., by 20.53 percent to Rs. 2,898.15 billion followed by saving deposits which increased by 11.26 percent to Rs.1,366.48 billion. Fixed deposits have covered the highest portion of commercial banks' total deposits.

(Refer to Annex 7.5: Deposit Mix for details)

Figure 3-6: Deposit Mix of Commercial Banks (mid-July 2023)

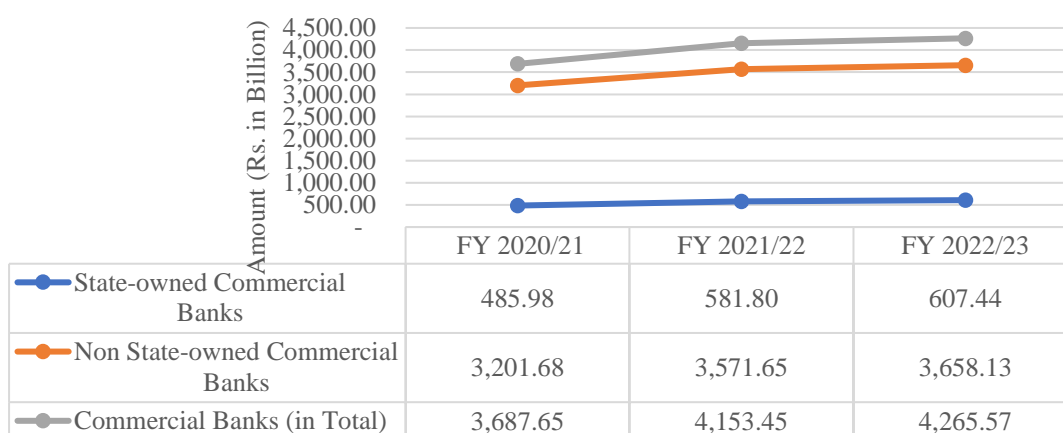


3.6 Loan and Advances

The total Loan and advances of the commercial banks increased by 2.70 percent to Rs. 4,265.57 billion in the FY 2022/23. Loans and advances of state-owned banks increased by 4.41 percent to Rs.607.44 billion and that of non-state-owned banks rose by 2.42 percent to Rs. 3,658.13 billion during the review year.

(Refer to Annex 7.6: Loans and Advances for details)

Figure 3-7: Loan and Advances of Commercial Banks (mid-July, 2021 to 2023)



3.6.1 Sector-wise Loan and Advances

Commercial banks have disbursed the loans and advances to the different sectors of the economy. Based on sector-wise lending data of commercial banks as on mid-July 2023, Wholesalers & Retailers sector has been the dominant sector of lending with 20.77 percent share on total loans and advances, followed by 17.81 percent in Consumable Loans sector and 11.86 percent in Non-food Production Related sector.

Table 3-1: Sector-wise Loan and Advances of Commercial Banks

S. N.	Sector	Percent of Total Loan (mid-July)		
		2021	2022	2023
1	Agriculture Forest	6.52	7.18	7.65

2	Fishery	0.21	0.28	0.31
3	Mining	0.22	0.20	0.26
4	Agriculture, Forestry & Beverage Prod. Related	5.48	5.25	5.51
5	Non-food Production Related	12.32	11.60	11.86
7	Construction	9.56	3.71	3.88
8	Power, Gas and Water	5.45	5.74	6.93
9	Metal Products, Machineries, Elec. and Installation	1.61	1.68	1.57
10	Transport, Warehousing and Communication	2.12	1.99	1.94
11	Wholesalers and Retailers	20.55	20.75	20.77
12	Finance, Insurance and Real Estate	7.74	7.55	7.11
13	Hotel and Restaurant	4.44	4.21	4.22
14	Other Services	4.40	4.25	4.13
15	Consumable Loans	5.52	18.14	17.81
16	Local Government	0.04	0.03	0.03
17	Others	13.82	7.45	6.03
	Total Loan	100.00	100.00	100.00

(Source: Offsite Supervision Unit, BSD)

3.6.1.1 Collateral-wise Loan and Advances

Loans and advances of commercial banks are secured by some forms of collaterals. As of mid-July 2023, about 88.75 percent of the total loans and advances were secured by the property. This category includes all those loans and advances having security of fixed assets like real estate and current assets like stocks and receivables as well.

Table 3-2: Collateral-wise Loan and Advances of Commercial Banks

S. N.	Security	Percent of Total Loan (mid-July)		
		2021	2022	2023
1	Gold and Silver	1.04	1.15	1.17
2	Government Securities	0.02	0.02	0.07
3	Non-Governmental Securities	1.98	1.15	1.00
4	Fixed Deposit Receipts	0.67	1.18	1.11
5	Collateral of Properties	87.97	87.99	88.75
6	Against security of Bill	1.28	0.47	0.86
7	Against Guarantee	3.51	3.41	3.49
8	Credit Card	0.06	0.08	0.10
9	Others	3.48	4.56	3.43
	Total	100.00	100.00	100.00

(Source: Offsite Supervision Unit, BSD)

3.6.1.2 Product-wise Loan and Advances

As of mid-July 2023, commercial banks have provided 32.19 percent of term loan out of total loan and advances. Such loans were 25.11 percent in the previous year. Similarly, 19.68 percent and 11.44 percent of loans were extended as demand and other working capital loan and cash credit respectively. After the Working Capital Guideline was implemented, loans that were previously classified as overdrafts were reclassified as permanent working capital loans. As a

result, term loans notably increased in FY 2022/2023 while overdraft loans significantly declined.

Table 3-3: Product-wise Loan and Advances of Commercial Banks

S. N.	Loan Products	Percent of Total Loan (mid-July)		
		2021	2022	2023
1	Term Loan	21.54	25.11	32.19
2	Overdraft	14.76	14.85	3.80
3	Cash Credit	-	-	11.44
4	Trust Receipt Loan/Import Loan	5.53	1.88	1.70
5	Demand and Other Working Capital Loan	23.04	23.70	19.68
6	Personal Residential Home Loan	6.70	6.68	6.47
7	Real Estate Loan	4.28	4.78	5.05
8	Margin Nature Loan	2.45	1.55	1.36
9	Hire Purchase Loan	3.63	3.15	3.20
10	Deprived Sector Loan	6.45	6.70	6.08
11	Bills Purchased	0.12	0.07	0.10
12	Other Product	11.51	11.53	8.92
	Total	100.00	100.00	100.00

(Source: Offsite Supervision Unit, BSD)

3.7 Non-Performing Loans

The total volume of non-performing loans (NPL) of the commercial banks has increased by 156.53 percent in the fiscal year 2022/23 and reached to Rs.128.64 billion. Non-performing loans of state-owned banks increased by 55.45 percent to Rs.17.15 billion and that of non-state-owned banks increased by 185.01 percent to Rs. 111.48 billion during the review period. The NPL ratio of commercial banks increased to 2.98 percent from 1.2 percent during the review period.

(Refer to Annex 7.7: Non-Performing Loans for details)

Figure 3-8: NPL Ratio of Commercial Banks (mid-July, 2021 to 2023)

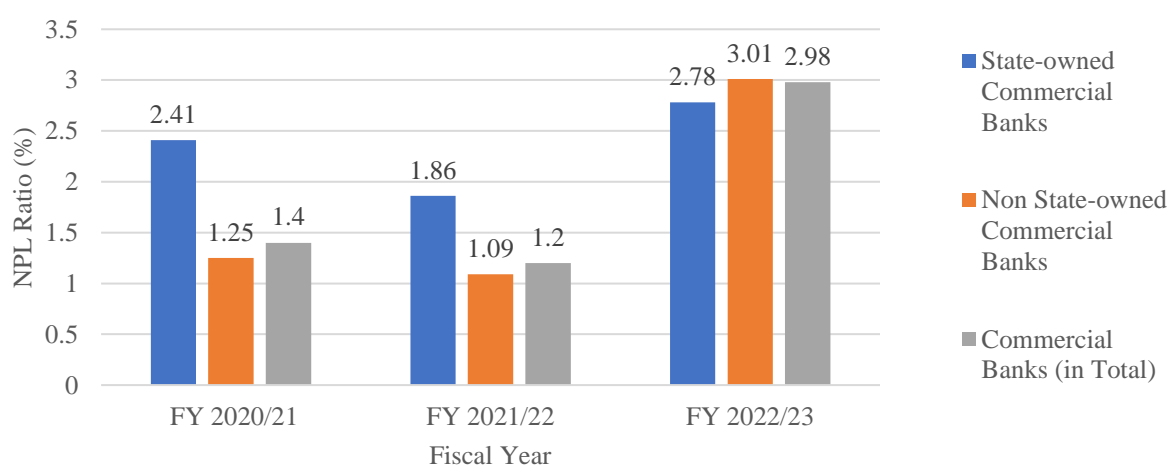
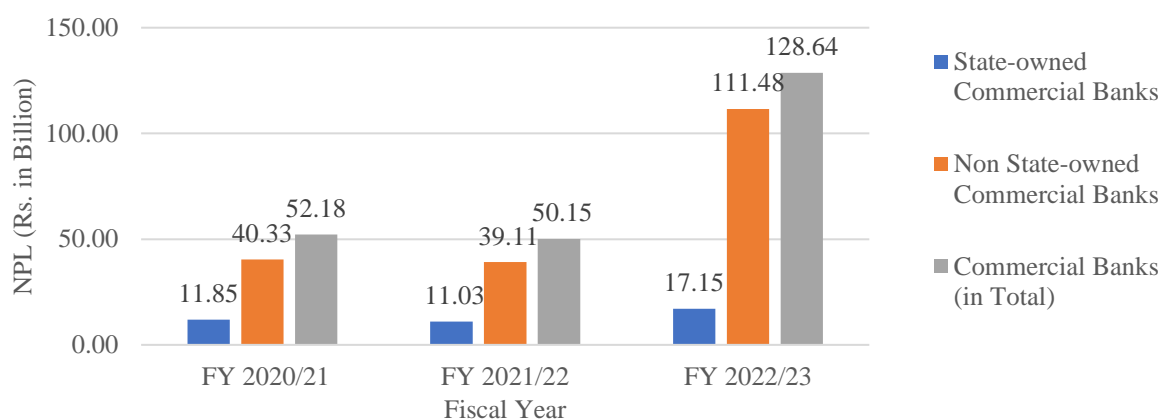


Figure 3-9: NPL Figure of Commercial Banks (mid-July, 2021 to 2023)

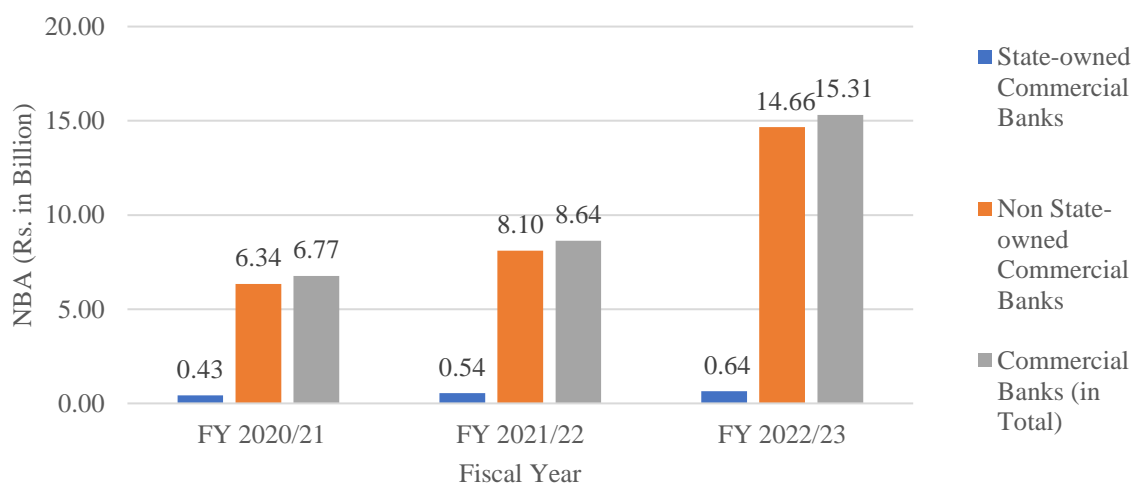


3.8 Non-Banking Assets (Investment in Property)

The level and structure of Non-Banking Assets (NBA) during last three years has been presented in the Chart 3-8. The overall NBA of the commercial banks has increased by 77.15 percent in FY 2022/23 compared to previous year. State-owned banks accounted for the increase in NBA by 19.37 percent whereas the amount of NBA of non-state-owned bank increased by 81 percent.

(Refer to Annex 7.8: Non-Banking Assets for details)

Figure 3-10: NBA Figure of Commercial Banks (mid-July 2021 to mid-July 2023)

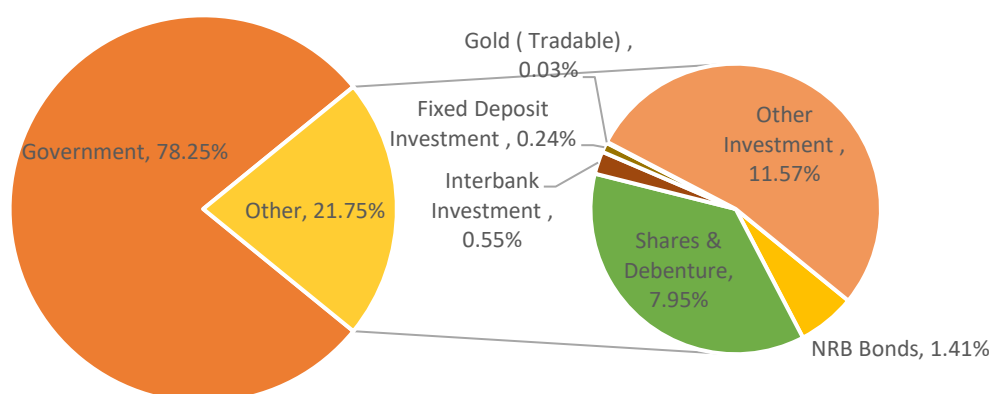


3.9 Investment

The composition of investment of commercial banks shows a high concentration in government securities, which was 78.25 percent of the total investment, while shares and debentures, NRB bonds, interbank investment, fixed deposit investment, gold (tradable) and other investment accounted for 7.95 percent, 1.41 percent, 0.55 percent, 0.24 percent, 0.03 percent and 11.57 percent respectively in the review period.

(Refer to Annex 7.9: Investment Portfolios for details)

Figure 3-11: Investment Portfolio of Commercial Banks (mid-July 2023)

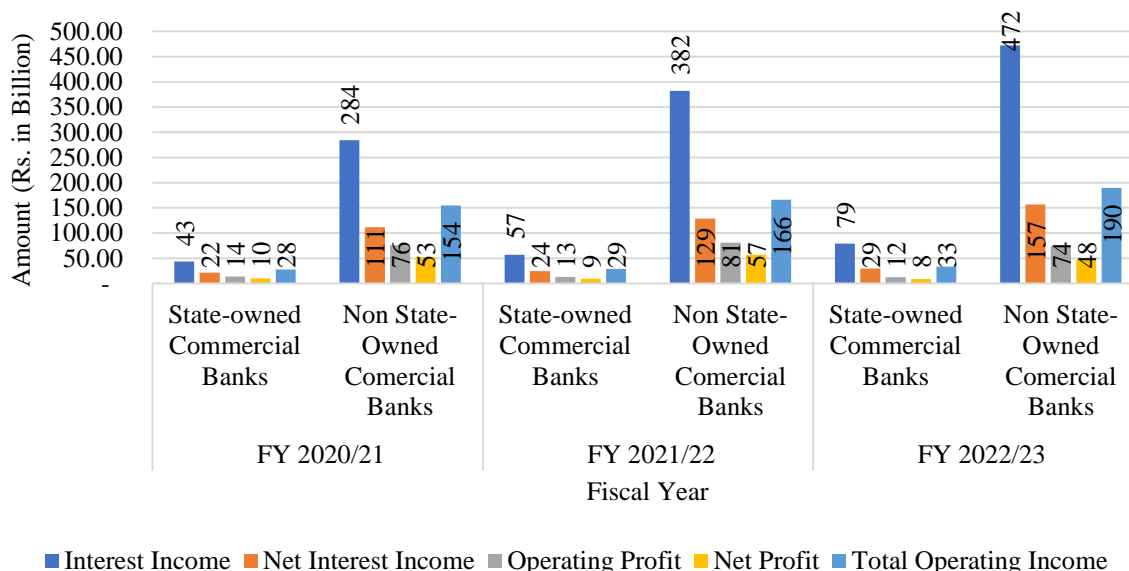


3.10 Earnings

The total net profit of commercial banks decreased by 14.60 percent and reached to Rs.56.57 billion in FY 2022/23 from Rs.66.25 billion in FY 2021/22. The net profit of state-owned banks decreased by 11.50 percent while that of non-state-owned banks decreased by 15.11 percent in the review period. The total interest income, which is the largest component of total gross income, showed a growth of 25.70 percent. The total net interest income rose by 21.69 percent, whereas the operating profit decreased by 8.58 percent in the review period.

(Refer to Annex 7.10: Operating Efficiency for details)

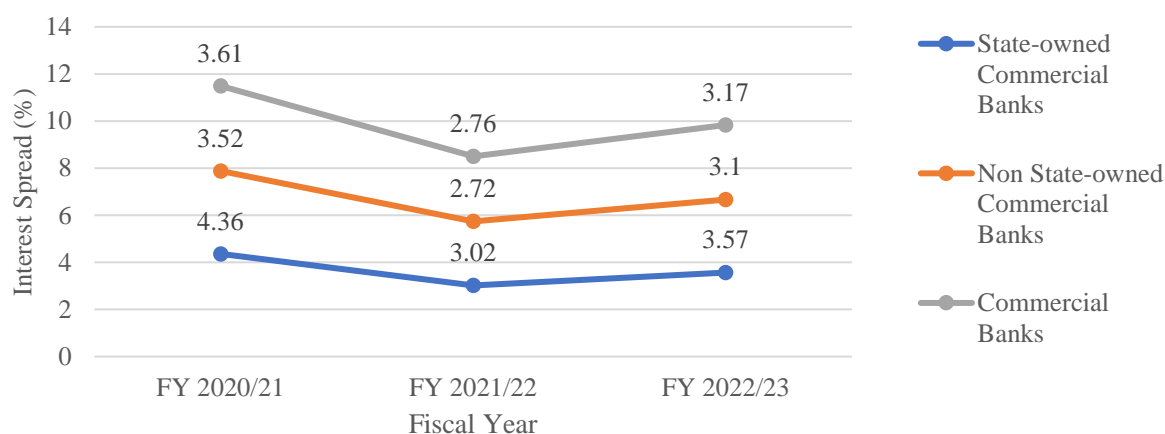
Figure 3-12: Operating Efficiency of Commercial Banks (Mid-July, 2021 to 2023)



Interest income of the commercial banks is the main factor that contributes to their profitability. The Net Interest Spread (Net Interest Margin) of the commercial banks had increased from 2.76 percent to 3.17 percent in the FY 2022/23. The net interest spread of state-owned banks and non-state-owned banks were 3.57 percent and 3.1 percent respectively in the review period.

(Refer to Annex 7.11: Net Interest spread for details)

Figure 3-13: Net Interest Spread of Commercial Banks (mid-July, 2021 to 2023)



Note: Net Interest Spread (Net Interest Margin) = (Interest Income/Loan & Advances and Investment) - (Interest Expense/Deposit and Borrowings)

3.11 Liquidity

The cash balance, bank balance with NRB and other BFIs, money at call and the investment in short term government securities are considered as liquid assets of the commercial banks. The total liquid assets of the commercial banks increased from Rs.1,239.25 billion to Rs. 1,480.26 billion in FY 2022/23. Also, the total liquid assets to deposit ratio increased from 27.27 percent to 29.10 percent in the review period. Likewise, total liquid assets to total assets ratio increased from 20.66 percent to 22.88 percent in the review period. Chart 3-11 (A) and (B) show the liquidity position of the commercial banks to its total assets and total deposits respectively.

(Detailed figures are shown in Annex 7.12: Liquid Asset to Total Deposit and Annex 7.13: Liquid Asset to Total Asset)

Figure 3-14: Liquid Asset to Total Deposit (mid-July, 2021 to 2023)

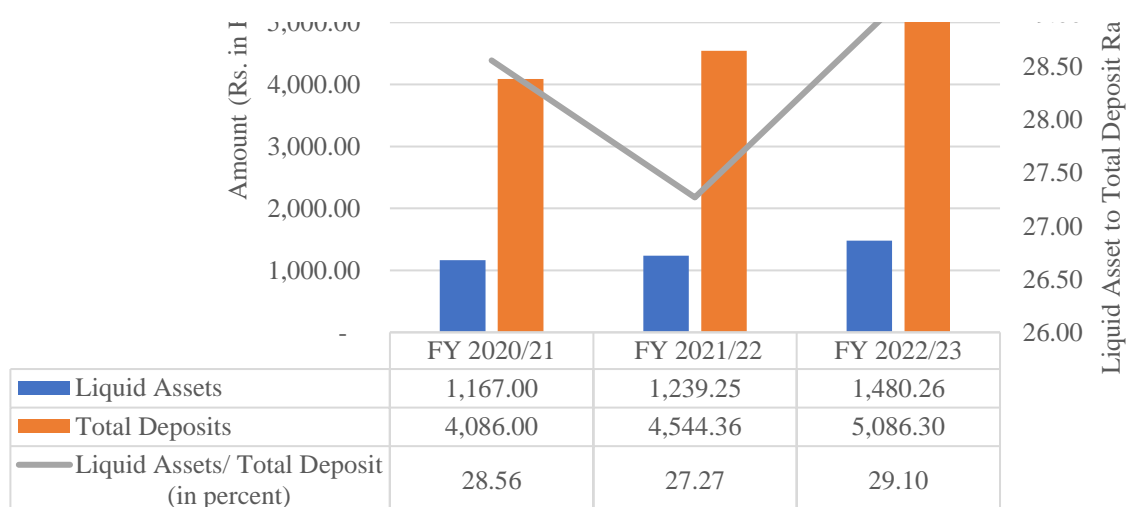
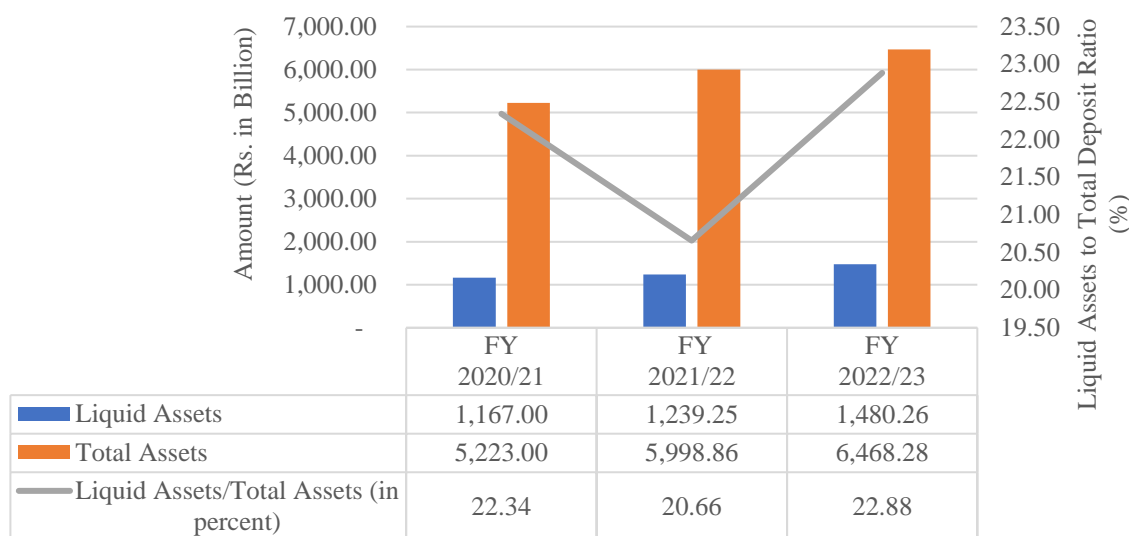


Figure 3-15: Liquid Asset to Total Asset (mid-July, 2021 to 2023)



3.12 Deprived Sector Lending

Deprived sector lending of commercial banks for the last quarter of the FY 2022/23 was 6.22 percent. The deprived sector lending is above the NRB minimum requirement of 5 percent in the review year.

(Refer to Annex 7.14: Deprived Sector Lending of Commercial Banks for details)

3.13 Electronic Banking

Nepalese commercial banks are providing following types of electronic banking services:

- Internet Banking
- Mobile Banking
- Card Services (Debit Cards, Credit Cards, Prepaid Cards)
- Cash and Cheque Deposit Kiosks
- Automated Teller Machines (ATMs)
- Branchless Banking

Table below shows the present status of electronic banking in Nepalese commercial banking industry. This depicts a growing trend in the use of electronic banking services in the industry.

Table 3-4: Electronic Banking in Nepalese Commercial Banking Industry

S. N.	Particulars	Mid-July				
		2019	2020	2021	2022	2023
1	Number of branchless banking center	1529	1574	1,706	1,526	1,298
2	Number of mobile banking customer	7,406,802	10,115,313	12,638,366	16,091,464	18,438,455
3	Number of Internet banking customer	888,268	1,001,866	1,115,532	1,279,475	1,347,970
4	Total number of ATM	2,951	3,759	3,983	4,235	4,465
5	Number of debit card holder	6,454,285	7,062,472	8,459,435	10,274,413	11,358,426

6	Number of credit card holder	123,146	160,297	192,370	238,794	283,126
7	Number of prepaid card holder	67,386	63,775	65,786	105,121	135,626

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

3.13.1 Internet Banking

Kumari Bank Limited was the first bank to introduce internet banking in Nepal (in 2002). Currently, all commercial banks are offering internet-banking services to their customers. So far, commercial banks in Nepal are providing the service of mobile top up, utility payments, fund transfers within and between BFIs and the generation of account statements as internet banking services. As on mid-July 2023, there were 1,347,970 internet-banking users of commercial banks in Nepal.

3.13.2 Mobile Banking

Laxmi Sunrise Bank Limited, (then Laxmi Bank Limited) introduced Mobile Banking (SMS Banking) service for the first time in Nepal in 2004. Nepalese banks are providing services like balance inquiry, mini statement, last transactions information, withdrawal alerts, cheque book inquiry/request, inter-bank and intra-bank fund transfer, utility bill payments, payment via Quick Response (QR) code etc. through mobile banking. Since mobile service has a very high penetration ratio in the Nepalese population, it can be a very effective way to provide financial services to the domestic consumers. As of mid-July 2023, there were 18.44 million users of mobile banking, which were 16.09 million in the previous year.

3.13.3 Debit Card

Nepal Investment Mega Bank Limited, (Erstwhile Nepal Investment Bank Limited) was the first bank to introduce debit card in Nepal. At present all commercial banks are providing debit card services to their customers. There were 11.36 million debit card users in the commercial banks as on mid-July, 2023 an increase from 10.27 million in the previous year.

3.13.4 Automated Teller Machines (ATMs)

Himalayan Bank Limited introduced the first ATM in Nepal in the year 1995. All commercial banks have their own ATMs installed. Through ATMs, customers can withdraw cash up to certain limit at any time free of charge or at minimal charge. As on mid-July 2023, there were 4,465 ATMs of commercial banks installed across the country, which were 4,235 as on mid-July 2022.

3.13.5 Credit Card

Credit card service was first introduced by Nabil Bank Ltd (then Nepal Arab Bank Ltd) in Nepal in the early 1990s. As on mid-July 2023, there were 283,126 active credit card customers in the Nepalese banking industry. There were 238,794 credit card customers as on mid-July 2022.

3.13.6 Branchless Banking

Branchless banking is a distribution channel strategy used for delivering financial services without relying on bank branches. It is an agent-based service. The services include deposit, withdrawal, balance enquiry, and fund transfer. As on mid-July 2023, there were 1,298 branchless banking centres in Nepal, which were 1,526 in the previous year.

CHAPTER IV

4 RECENT INITIATIVES IN SUPERVISION

This chapter presents the initiatives taken in the field of banking supervision and regulation in both domestic as well as international arena. It provides a brief outlook to valued readers about the developments on financial system oversight.

4.1 International Initiatives

4.1.1 The Basel Committee on Banking Supervision

On July 6, 2023, the Basel Committee on financial Supervision launched a consultative document over changes to the "Core Principles," which serve as the foundation for effective financial supervision. The de facto minimal requirements for the prudential regulation and oversight of banks and banking systems are known as the Core Principles. Supervisors evaluate the efficacy of their regulatory and supervisory frameworks using these Core Principles. Additionally, the World Bank (WB) and the International Monetary Fund (IMF) use them as part of the Financial Sector Assessment Program (FSAP) to assess how well each nation's banks supervisory processes and systems are working.

Originally issued by the Committee in 1997, the Core Principles were last substantively updated in 2012. In order to incorporate structural alterations that impact the banking system, supervisory and regulatory advancements, and lessons gained from FSAPs since the last update, the Committee started a study of the Core Principles in April 2022. Changes are proposed to both the structure and contents of the Core Principles standard. The revisions to the principles address themes such as financial risks, operational resilience, systemic risk and macro-prudential supervision, emerging risks related to the climate change and the digitalization of finance, non-bank financial intermediation, and risk management practices. (Bank for International Settlement, 2023)

4.1.2 Major Initiatives taken by SAARC Central Banks

4.1.2.1 Reserve Bank of India (RBI)

a. Framework for acceptance of Green Deposits

Green deposits are defined by the RBI as an interest-bearing deposit, received by the regulated entities (REs) for a fixed period and the proceeds of which are earmarked for being allocated towards green finance. RBI introduced a framework for acceptance of green deposits on 11 April 2023 in order to encourage REs to offer green deposits to customers, protect interest of the depositors, aid customers to achieve their sustainability agenda, address green-washing concerns and help augment the flow of credit to green activities/projects. (Reserve Bank of India, 2023)

b. Framework for Compromise Settlements and Technical Write-offs

With a view to provide further impetus to resolution of stressed assets in the system, the framework on compromise settlements and technical write-offs was issued by the Reserve Bank of India on June 8, 2023. The framework provides clarity on the definition of technical write-off and a broad guidance on the process to be followed by Regulated Entities (REs) while carrying out technical write-off. Further, it lays down guidance on important process-related matters covering board oversight, delegation of power, reporting mechanism and a cooling period for normal cases of compromise settlements. However, in cases where banks reach compromise settlements with borrowers who have been classified as frauds or wilful defaulters, the penal measures that are now in place continue to apply. (Reserve Bank of India, 2023)

c. Expected Credit Loss Framework for Provisioning by Banks

The Reserve Bank of India (RBI) on October 4, 2023 constituted a nine-member committee to suggest, among other things, provisioning for Expected Credit Loss (ECL) framework. The ECL approach to provisioning is a paradigm shift from the existing provisioning regime based on incurred losses. ECL provisioning refers to the practice followed by banks and financial institutions to set aside a portion of their earnings as a provision to cover potential losses arising from non-performing assets. The RBI had released the discussion paper on "Introduction of Expected Credit Loss Framework for Provisioning by Banks" on January 16, 2023. If the risk of default rises, banks will be required to set aside a provision equivalent to the estimated lifetime credit losses. Currently, the banks provide it after a borrower fails to repay the loan for over 90 days. The primary objective of such a transitional arrangement is to avoid a "capital shock" by giving banks time to rebuild their capital resources following a probable negative impact arising from the introduction of ECL accounting. (Reserve Bank of India, 2023)

d. Minimum Capital Requirements for Operational Risk

On June 26, 2023 the Reserve Bank prescribed a new methodology for determining the minimum capital requirement for operational risk in order to secure greater convergence with the revised Basel standards. The new standardized approach is slated to replace all the approaches used presently viz., the basic indicator approach (BIA), the standardized approach (TSA)/ alternative standardized approach (ASA), and the advanced measurement approach (AMA), for measuring minimum operational risk capital requirements. Under the new standardized approach, banks are required to consider a financial statement-based business indicator component (BIC), along with loss data-based internal loss multiplier (ILM) (for larger banks) in their operational risk regulatory capital calculation. (Reserve Bank of India, 2023)

e. Interest Rate Risk in Banking Book (IRRBB)

IRRBB refers to the current or prospective risk to banks' capital and earnings arising from adverse movements in interest rates. In February 2023 the Reserve Bank issued guidelines requiring banks to measure, monitor, and disclose exposure to IRRBB. The guidelines place the responsibility for understanding the nature and level of banks' IRRBB exposure on the banks' Boards, which have to approve broad business strategies as well as overall policies in

this regard, set appropriate limits, and put in place comprehensive IRRBB reporting and review processes. Banks are also expected to develop and implement an effective stress testing framework for IRRBB as part of their broader risk management and governance frameworks commensurate with the nature, size and complexity of business activities and overall risk profile. (Reserve Bank of India, 2023)

4.1.2.2 State Bank of Pakistan (SBP)

a. Launch of Sunwai - A Customer Complaint Management Service

In an attempt to further enhance the effectiveness and fairness of the banking system, SBP has created a mobile app and portal called "Sunwai—a customer complaint management service" on December 29, 2023 to make it easier for clients to file grievances with banks, Development Financial Institutions, and Microfinance Banks. (State Bank of Pakistan, 2023)

b. Shared Electronic Know Your Customer (e-KYC) Platform

In an effort to further streamline the KYC/CDD procedures, SBP allowed banks to rely on other financial institutions to carry out effective and efficient KYC/CDD as mentioned in the circular of SBP dated December 18, 2023. Under the guidance of SBP, the Pakistan Banks Association (PBA) has developed a "shared e-KYC platform" with the aim of increasing the efficiency of the KYC and onboarding process. Advantages of this new platform are the standardization of KYC/CDD data, faster exchange and updating of customer information via a secure digital channel throughout the banking sector, improved customer onboarding, and cost savings for the banks. The "shared e-KYC platform" is based on Distributed Ledger Technology (DLT) whereby customer's KYC/ CDD related information resides with the banks only, without the need for a central entity to house this critical customers' data. (State Bank of Pakistan, 2023)

4.1.2.3 Central Bank of Bangladesh (BB)

a. Prompt Corrective Action Framework

Prompt Corrective Action (PCA) Framework was introduced by Bangladesh Bank (BB) to facilitate timely regulatory and supervisory intervention on December 5, 2023. According to the PCA Framework, a bank's board of directors and the bank must implement the recommended corrective measures to bring the bank's deteriorating operational and financial conditions to a normal state within a reasonable time. Under the PCA Framework, the concerned bank shall have to carry out a schedule of corrective actions directed by BB based on selected parameter indicators i.e., Capital to Risk weighted Assets Ratio (CRAR), Tier 1 capital ratio, Common Equity Tier 1 (CET1) ratio, Net Non-Performing Loan (NPL) and Corporate Governance. (Central Bank of Bangladesh, 2023)

b. Memorandum of Understanding with State-Owned Commercial Banks

At the start of FY 2023, BB established a new monitoring mechanism to offer a fresh view on the nation's banking industry and assess the overall condition of state-owned commercial banks

under a Memorandum of Understanding (MoU). In the MoUs, banks are given customized annual targets related to maintaining capital adequacy, lowering the percentage of non-performing loans and the shortfall in loan loss provisions, maintaining a balance between credit expansion and liquidity maintenance, improving corporate governance and risk management procedures, etc. Other steps outlined in the MoUs include fixing the limit on exposure to a single borrower, restricting the purchase of loans, and appointing an observer/coordinator to mitigate the risks associated with the banking industry. (Central Bank of Bangladesh, 2023)

4.1.2.4 Maldives Monetary Authority (MMA)

a. Stress Testing Framework

On 7 December 2022, MMA issued circular requiring banks to develop and implement a stress testing framework that are commensurate with the operations and risk profile of the respective banks. This is to determine whether the bank has adequate buffers to withstand any adverse economic developments or risks. (Maldives Monetary Authority, 2022)

b. Fit and Proper Standards

Following the enactment of the new Regulation on Financing Businesses in 2021, MMA released a circular on October 26, 2022, to set fit and proper standards for senior management, directors, and shareholders of financing businesses. (Maldives Monetary Authority, 2022)

4.1.2.5 Central Bank of Sri Lanka (CBSL)

a. Sustainable Finance

The CBSL issued a new direction on sustainable financing to the banks in 2022. The “Banking Act Directions on Sustainable Finance Activities of Licensed Banks” were issued in accordance with the Road Map for Sustainable Finance in Sri Lanka, considering the significance of supporting sustainable financing initiatives on a national level as well as the necessity of providing a governance and risk management framework for licensed banks with respect to sustainable finance activities. (Central Bank of Sri Lanka, 2022)

b. Prudential Policy Interventions

In 2022, the CBSL used several prudential policy measures, such as enforcing regulations and reinforcing the regulatory framework, to preserve the banking industry's resilience in the midst of the highly volatile macroeconomic conditions that prevailed at the time. Amid the many obstacles, the CBSL also gradually relaxed certain restrictions to enable the banking industry to maintain liquidity and facilitate effective financial intermediation. (Central Bank of Sri Lanka, 2022)

4.1.2.6 Royal Monetary Authority of Bhutan

a. Rules and Regulations for Loan Restructuring

The RMA released the loan restructuring rules and regulations in 2022. These rules and regulations outline several best practices for loan restructuring, including extending loan terms

and offering credit moratoriums. These guidelines provide a framework for implementing these best practices into action, ensuring that FSPs handle and manage NPLs in an effective way. Due diligence must be taken by FSPs while implementing loans restructuring plans into action. FSPs can offer eight distinct loan restructuring solutions; the type of remedy selected should depend on the borrowers' affordability and the targeted support framework. Although the prudential approach is used in the development of these rules and regulations to protect the financial stability of FSPs, it also considers the need to treat borrowers fairly throughout the entire life cycle of the loan. (Royal Monetary Authority of Bhutan, 2022)

b. Guideline on the reclassification of old Non-Performing Loans

In response to the impact of high NPLs and loan provisions, the guideline was issued as a counter-cyclical policy response to the pandemic as an interim measure with the objective to provide a one-time facility for the reclassification of NPLs as other assets to provide temporary relief to both borrowers and FIs during the pandemic. (Royal Monetary Authority of Bhutan, 2022)

4.2 National Initiatives

4.2.1 Stress Testing Guideline

NRB revised the Stress Testing Guideline, 2012 and published Stress Testing Guideline, 2023 on October 10, 2023. The purpose of the revised stress testing guideline is to make the process of stress testing more dynamic and pertinent to the contemporary banking environment. The updated document contains set of principles that are set at a high level so that they may be applicable across many banks and jurisdictions remain relevant as stress testing practices evolve over time, and be used by jurisdictions to guide all elements of a sound stress testing framework. One of the main goals of updating the stress testing guidelines is to introduce these principles of stress testing in a structured manner while applying the principle of proportionality.

4.2.2 Introduction of Counter Cyclical Buffer

NRB issued a circular on October 2023 mandating BFIs and Nepal Infrastructure Bank Limited to maintain the countercyclical buffer as provisioned by Capital Adequacy Framework 2015. BFIs and NIFRA should maintain 0.5 percent of counter cyclical buffer by 15 July 2024. The objective of the countercyclical capital buffer is to guarantee that the capital requirements of the banking industry consider the macro-financial environment within which banks operate. Its main goal is to use capital buffers to accomplish the more general macro-prudential goal of protecting the banking industry against times of excessive aggregate credit growth, which is frequently associated with the build-up of systemic risk.

4.2.3 Working Capital Guideline

There were two amendments made to Working Capital Guideline, 2079: on January 4, 2023, and August 28, 2023. The adoption of flexible working capital loan limits—particularly for

industries related to production, the postponement of the applicable date for variance analysis, the addition of a provision pertaining to an unexpected field visit of the borrower's current assets, the provision of standing instructions to transfer revenue proceeds from the current account to the cash credit account, the provision of an ad hoc loans with some conditions, the alignment of working capital loan with permanent working capital loan and cash credit loan, and many other changes were among the major amendments. The changes aim to make the guideline better by including practicality and prudent lending practices.

4.2.4 Financial Literacy Guideline

NRB issued Financial Literacy Guideline, 2022 on March 31, 2023 to all the licensed BFIs in accordance with Financial Literacy Framework, 2022. The guideline has been issued with the objective of streamlining all the activities conducted by the BFIs related to financial literacy in a more organized and coordinated manner which were previously carried out in a fragmented way.

4.2.5 Lender of Last Resort Bylaw

NRB replaced its Lender of Last Resort Policy, 2010 by Lender of Last Resort Bylaw, 2079 on March 3, 2023. As a lender of last resort, NRB provides liquidity to banks or other financial institutions that are experiencing a temporary shortage of funds, and cannot obtain them from other sources.

4.2.6 ML/TF Risk Assessment Guidelines for Bank and Financial Institution

NRB released ML/TF Risk Assessment Guidelines for Bank and Financial Institution for BFIs and Infrastructure Development Bank on December 4, 2022. In compliance with the Asset (Money) Laundering Prevention Act of 2008 and the NRB's Unified Directive, the guidelines are intended to support the process of conducting money laundering and terrorism funding risk assessments. Financial institutions should create rules, processes, and control mechanisms based on the risk assessment in order to effectively mitigate and manage the risks that have been identified. Risk assessments guides financial institutions in optimal allocation of the available resources towards the AML/CFT efforts and thereby implement risk-based approach to AML/CFT program effectively and efficiently.

4.2.7 Revision of AML/CFT Manual

Nepal Rastra Bank has revised the “Manual for Supervision and Inspection of Banks and Financial Institutions on Anti Money Laundering and Countering the Financing of Terrorism, 2020” in accordance with National Strategy and Action Plan/ National Risk Assessment (NRA) on December 2022.

4.2.8 Working Guideline for Individual Bank Supervisor (IBS)

Nepal Rastra Bank issued a Working Guideline for Individual Bank Supervisor on July 2023 in an effort to further strengthen the offsite supervisory function. In order to monitor and

supervise individual BFIs with an enhanced supervision function and capacity, appointment of an Individual Bank Supervisor is an additional step to bolster the supervision of BFIs. As an added supervision, the IBS officer is empowered to continuously monitor and supervise an individual BFI under his/her purview as a part of offsite Supervisory Review and Evaluation Process.

4.2.9 Supervisory Review and Evaluation Process

NRB had issued ICAAP Guideline 2012 (updated July 2013) in order to assist banks in developing internal procedures and systems to maintain adequate capital resources in commensuration with all material risks posed to it by its business activities and external events. It is an internal assessment of capital that it considers to be adequate to cover all potential exposures to various material risks. Such ICAAP process should undergo Supervisory Review Process as per Pillar 2 of Basel III. Moreover, Pillar 2 also requires the supervisory authorities to focus all banks to an evaluation process, also called as Supervisory Review and Evaluation Process (SREP). It entails reviewing and assessing the bank's ICAAP, evaluating the bank's risk profile independently, and, if required, implementing the requisite prudential measures. Accordingly, the NRB conducted the Supervisory Review and Evaluation Process (SREP) based on the Internal Capital Adequacy Assessment Process (ICAAP) report submitted by banks in July 2023.

4.2.10 NFRS 9- Expected Credit Loss Related Guidelines

A draft of NFRS 9: Expected Credit Loss Related Guideline, 2024 was released by Nepal Rastra Bank on January 11, 2024, with a call for input from stakeholders for the final guideline. As defined by NFRS 9, Expected Credit Losses (ECL) is a probability weighted estimate of credit losses (i.e present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between cash flows that are due to an entity in accordance with the contract and cash flows that the entity expects to receive. The guidelines for implementing the ECL provision outlined in NFRS 9 have been drafted by NRB with the aim of promoting the consistent and prudent application of NFRS 9 in the banking industry. The document states that the provisions of NFRS 9 including ECL will be fully effective from FY 2081/82.

4.2.11 Nepal Green Finance Taxonomy

NRB prepared a draft of Green Finance Taxonomy, guideline for financial sector in accordance with the Monetary Policy for 2022/2023 and published it on website on January 10, 2024 seeking feedback from the stakeholders. The guideline has been prepared in order to promote the flow of domestic green finance and support climate risk reporting, green bonds, and the capital requirements of the financial sector. A list of economic activities (assets, initiatives, and industries) eligible to be categorized as "green" or environmentally sustainable is called the Green Finance Taxonomy. In order to direct sector capital, resources, and capacity toward Nepal's green, resilient, and inclusive economy, this classification attempts to assist financial sector actors in identifying, tracking, and demonstrating the credentials for their green actions.

CHAPTER V

5 KEY ONSITE OBSERVATIONS, ISSUES AND CHALLENGES

5.1 Key Onsite Observations

5.1.1 Board and Senior Management Oversight

- a. Board agenda are more related to credit appraisal/ approval/ recovery actions/ procurement related and board has spent less time on discussion of policy issues, compliance, audit and risk management function.
- b. Some of the banks have not formulated policies and guidelines such as Recovery Planning Policy, Compliance Policy, Director Education Program Guidelines and some are not reviewed and updated timely.
- c. Most of the banks don't have female director as required by section 86(2) of the Company Act, 2063.
- d. Some of the Banks have not appraised the performance of the CEO as per the contract/agreement between the bank and CEO.
- e. In most of the banks, Board does not have practice of reviewing the implementation status of the decisions made in previous meetings as well as the directions given to the management.

5.1.2 Risk Management Function

- a. Most of the banks lack adequate MIS to support comprehensive risk management function.
- b. Recommendations provided by Risk Management Committee (RMC) have not been adequately considered by the Board and in most of the banks role of RMC in risk management function is not adequate.
- c. Industry specific risk profile has not been prepared by some banks.

5.1.3 Audit Function

- a. In some banks, the performance appraisal of head of Internal Audit was found to be done by DGM/CEO (or authorities in business function) which is against the provision of NRB Unified Directive 2080#6(7)(1)(Jha).
- b. Section 61(e) of Bank and Financial Institution Act, 2073, requires audit committee to recommend three auditors to AGM for appointment of Statutory Auditor. However, in some banks the audit committee has selected one auditor and then recommended that particular audit firm to the AGM for approval.
- c. Banks lack adequate staffs in internal audit function in terms of skill and number.

- d. Some of the banks have not conducted information security and system audit as required by NRB Unified Directives.
- e. Risk based internal audit (RBIA) policy and guidelines are not comprehensive to cover all the aspects of audit function.

5.1.4 Capital and Earnings

- a. Some of the banks have not assigned the proper risk weight to loan exposures as per Capital Adequacy Framework, 2015. For instances, risk weight assigned to claims on regulatory retail portfolio, claims secured by commercial real estate, etc.
- b. Few banks have not been able to maintain minimum Capital Conservation Buffer as required by Capital Adequacy Framework, 2015.

5.1.5 Credit Risk

- a. Due to weak post-disbursement monitoring mechanism of the banks, loans disbursed were found to be used for the purpose other than intended.
- b. Some instances are observed where existing loans and interest had been settled by disbursing another loan.
- c. As per Working Capital Guidelines, 2079#8.2 issued by NRB, some banks have not operated separate current account and loan account in case of borrower utilizing working capital credit facility . Therefore, borrowers had been found using the amount deposited in current account for the purpose other than in creation of underlying assets. Further, Business Site Visit Report (BSVR) and Collateral Site Visit Report (CSVR) have not been updated regularly.
- d. Internal auditor/Auditor certified net trading assets (NTA) reports had not been obtained by some of the banks in loans above Rs.50 million, as per Working Capital Guidelines, 2079#6.4(Kha) issued by NRB.
- e. In some instances, borrower’s requirement has not been assessed properly and instances of over financing observed. For instance, debt equity ratio not maintained, drawdown limit based on net trading asset exceeded, working capital loan provided irrespective of negative NTA.
- f. The limit of Bridge Gap loan (BGL) has been allotted arbitrarily and the prospective asset creation from such BGL could not be established. After such disbursement, frequent extension of the BGL without valid reasons has been noted.
- g. Some of the banks have provided personal loans above Rs.5 million without any specific purpose, which is against the provision of NRB Unified Directives.
- h. The Swap procedure, as stated by NRB Unified Directives 2080#2(14)(2)(Gha)(e), has not been properly followed during the swap of loan from other banks.

- i. Loans had been renewed without obtaining basic documents required for credit appraisal such as audited financials (including disclosure on Off-Balance Sheet exposures), tax clearance certificate, firm renewal documents, business inspection report along with photographs, etc.
- j. ESRM Guideline is not implemented effectively as instances of project financing were noted without obtaining EIA Report.
- k. Some instances were noted where adequate LLPs were not provided such as inappropriate loan classification, classification of closed businesses in pass category, loans in the auction process categorized as performing.
- l. Credit rating reports of borrowers availing credit facility above Rs.500 million were not considered as required by NRB Unified Directives 2080#2(34) by many banks.
- m. Numbers of discrepancies are observed in reporting the loan exposures to NRB through Borrower-wise Credit (2.2) and NRB03 returns. Errors in sector-wise classification, address of the borrower, risk weight, loan loss provision etc. had been noted.

5.1.6 Liquidity Risk

- a. Contingent funding plan as required by NRB Unified Directives 2080#5(6)(9) has not been prepared.
- b. Many banks have high concentration on the institutional deposit. Also, many banks have large amount of deposits from few depositors. Sudden withdrawal from these depositors could lead to extreme liquidity stress in the banks.
- c. Assets Liability Committees (ALCO) of the banks have been observed more in status reporting activities and lack proactive orientation regarding assets liability management. Further, off-balance sheet items have not been considered generally while assessing liquidity position. Likewise, stress test scenarios, assumptions and results of the stress tests have not been adequately discussed in ALCO.
- d. Significant maturity mismatches in assets and liabilities are observed in given time buckets.

5.1.7 Operational Risk

- a. Some banks have not formulated Business Continuity Plan. Those formulated had not drilled Business Continuity Plan.
- b. Record of operational incidents occurred during the year have not been maintained properly. Likewise, preparation of such incident log reports, its periodical analysis and discussion of such events in managerial meetings and appropriate policy formulation based on it has been lacking.
- c. Some banks have not developed proper system for identification of key risk indicators (KRIs) and documentation of risk registers.

- d. The Management Information System (MIS) reports have been insufficient. For instance, few reports such as Problem loan reports, Loan commitment and contingent liability reports, Migration reports, etc. are not available in the system. In most of the cases loan loss provisioning system of the bank does not have adequate system of capturing the qualitative and other criteria for Non-Performing Loan (for instances, business not in operation, misuse of fund, blacklisting, exceeding regulatory D/E Ratio threshold, negative net worth, etc.)
- e. Critical and vulnerable issues raised by the IS Auditor have not been addressed timely by some banks.
- f. Undelivered cheques and debit cards have not been destroyed timely in some banks.
- g. In most of the cases, bank's video surveillance setup has not been sophisticated enough to help investigating misconduct, fraud check, reporting suspicious activities etc. CCTVs had issues like back up less than 90 days, blur visibility due to which packets and bundles could not be identified, impaired camera, anti-light location, etc.
- h. In many cases account opening forms are not duly filled and additional documentation such as PEP verification, self-declaration forms, etc. are missing.
- i. Trainee/Interns have been found to be assigned to work in sensitive areas with user access in Core Banking System (CBS).
- j. System printed advices in deposit voucher have not been generated in branches of some banks.

5.1.8 Market Risk (including Interest Rate Risk and Foreign Exchange Risk)

- a. Most of the ALCO meetings are focused on the revision of interest rate on deposits and loans, publication of interest rates, comparative analysis of market interest rates and approval of deviation of commission and fees of individual clients rather than on strategic aspects like review of investment portfolio, divestment strategy and so on.
- b. Duties and functions are not properly defined and segregated in treasury management function of few banks.
- c. Some banks do not have a comprehensive policy for assessing and addressing the risk emanating from the interest risk fluctuation.
- d. Some banks have not defined country/instrument/tenure wise (Bonds, Fixed deposit/One month, six month, one year etc) limit for the LCY/FCY placement.
- e. Some banks do not have practice of including Indian currency exposure arising from Non-Delivery Forward (NDF) deals in calculating net open position.
- f. While calculating net open position on a daily basis, the banks are found to net off long position of one currency with short position of another currency thereby understating overall net open position and foreign exchange risk.

- g. Some banks have kept FCY placement in high risk countries. Also, some banks do not have practice of obtaining quotations of interest rate from more than one counter party while making FCY placement.
- h. Banks do not use interest rate risk measurement system, except Gap Analysis as prescribed by the Nepal Rastra Bank. Further, few banks do not have practice of monitoring Risk Sensitive Assets (RSA), Risk Sensitive Liabilities (RSL) and its trend so as to analyse interest sensitivity accurately. Moreover, certain banks do not have clear assumptions while determining RSA and RSL.

5.1.9 AML/CFT

- a. Most of the banks do not have updated details of the Beneficial Owner (BO) and mechanism to monitor the transactions of the BOs as required by Unified Directives, 2080 #19(5).
- b. The transaction monitoring mechanism in most of the banks has been inadequate to capture business transactions routed through personal accounts.
- c. Most of the BFIs do not have robust mechanism to keep updated Politically Exposed Persons (PEPs) list. Most of them rely on third parties for the PEPs list. Further, they do not have adequate mechanism to identify family details and close associates of PEPs.
- d. The institutions has not set-up specific control parameters and typologies to check on transactions through electronic means like Connect IPS, Digital Wallets, ATM cards, Credit Cards, QR Payments in STR/SAR scope.
- e. Notable deviations observed in actual customer's transaction volume and declared annual transactions in many banks. Further, in many cases, transactions had not matched with the customer profiles.
- f. In some instances, high volume of cash transaction had been observed in accounts of Board members and senior level staffs.
- g. Customer profile has not been fully updated in the Core Banking System (CBS). Know Your Customer (KYC) forms are not duly filled up. Information such as nominee details, location map, annual expected turnover, risk categorization etc. has been missing at many instances.
- h. Enhanced Customer Due Diligence (ECDD) of high-risk customers has not been conducted in periodic manner.
- i. KYC update has been entrusted to interns in most of the BFIs, who were completely unknown about the gravity and seriousness of the AML/CFT issues.
- j. Current CBS of certain banks does not generate live indicators (red flags/alerts) to detect suspicious transactions. Further, some banks have above 50 indicators where some have at around less than 10 indicators related with such red flags/alerts, resulting into poor reporting of STR/SAR.

- k. Real time transaction surveillance is yet to be adopted. There has been no appropriate software which can monitor day to day STR/SAR transactions on real time basis and generate red flags/alerts whenever unusual transactions take place.
- l. Banks lacks trade-based ML/TF reporting and surveillance capacity.
- m. Few banks do not have adequate mechanism of assessing the ML/TF risks associated with the lending activities. Risk management process does not assess adequately the way the launderers could exploit the lending facilities.

5.1.10 Human Resource Management

- a. Promotion policy of several banks does not seem to be effective as those banks have not initiated employee promotion on timely manner.
- b. Employee performance appraisal of several banks is not conducted on timely manner as guided by bank's HR Bylaw.

5.1.11 Financial Consumer Protection

- a. Many banks have changed the interest premium to the loan clients against the provision of NRB Unified Directives.
- b. Grievance handling mechanism of some banks has been poor and the recording and finalization of those grievances has not been adequate.
- c. Some banks have not prepared customer grievance redressal policy and not submitted statistics of customer grievance as per Unified Directive 2079#20(9)(Cha).
- d. Some banks have not established online portal for handling customer grievances and audio notice board.

5.2 Issues

5.2.1 Capital Adequacy Stress

The excessive growth of risk assets in last few years, rising level of stressed assets in recent years have led to strain on capital adequacy, specifically Tier 1 capital, of the banks. Two banks could not maintain minimum Tier 1 Capital (including CCB 2.5%) of 8.5% in FY 2022-23. Few banks are currently operating under capital adequacy stress with Tier 1 Capital (including CCB) just above regulatory minimum. Further, there is an additional countercyclical capital buffer requirement of 0.5% from 2024 Mid-July which may further put pressure to some banks on maintaining regulatory capital adequacy ratio.

5.2.2 Deterioration in Asset Quality

The rising non-performing loan and non-banking assets are issues in Nepalese financial sector at present. Excessive lending in earlier years, slow-down of economic activities post Covid-19, particularly in construction sector and MSMEs/SMEs with multiplier effect, increment in interest rate, over-financing, etc. have reduced the repayment capacity of the borrowers. This

has resulted in growth of NPL level to 2.98 percent at mid-July 2023 (1.20 percent at mid-July 2022). Likewise, it has been observed that merged banks are taking higher NPL level.

Around two-third of collateral has been concentrated in real estate. Further, with increase in NPL banks follow auction of such collateral and recover non-performing credits. However, due to slowdown in real estate sector, it has been difficult to dispose such collateral and resulting into increased Non-Banking Assets (NBAs). Consequently, NBAs have increased to 0.35 percent of total loans and advances at mid-July 2023 (0.21 percent at mid-July 2022).

5.2.3 Board and Senior Management Oversight

Weak oversight function of the BOD amidst growing asset size, post-Merger and Acquisition issues, deteriorating asset quality, weak management quality/practices, high staff turnover, cases related to employee involvement in borrower transactions and defrauding, and so on. Bank Board has spent less time on discussion of issues of compliance of NRB directives/prevalent laws/ implementation of directions of previous NRB inspection, Status and Implementation of comments from internal, external and IT audit reports.

Increasing number of various warnings and reprimands to Banks' Board and CEO through onsite inspection reports which indicates inadequate Board and senior management oversight.

5.2.4 Earnings

Globally due to tight monetary policy and poor investment environment during the years of COVID, credit expansion has not been able to maintain pace. Further, despite excess liquidity in the banking system, credit expansion has not been expected soon. Earlier aggressive lending by banks without proper assessment of borrowers amidst pressure to increase profits and ROE resulted in poor management of asset quality. Consequently, increase in non-performing assets and its recovery challenge have affected profit. Some banks poor earnings have resulted into negative retained earnings. Return on Equity (ROE) of banks has decreased to 10.60 percent at mid-July 2023 (12.76percentatmid-July 2022). Similarly, Return on Asset (ROA) of banks has decreased to 1.06percent at mid-July 2023 (1.25 percent at mid-July 2022). Declining ROE and ROA has been a matter of concern for the banking sector.

5.2.5 Liquidity

Volatility in bank liquidity situation has been a regular phenomenon in the Nepalese banking industry. Total deposits and credit in Nepal's banking system had been Rs. 5086 billion and Rs. 4265 billion respectively as on mid-July 2023. The liquidity in the banking sector has increased with the fact that loans have been mobilized less due to lower economic activities and fall in aggregate demand led by less demand for credit amidst decline in active youth population. Furthermore, the overall balance between deposits and credit growth has weakened (the growth rate of banks' deposits increased by 11.92percentbeing higher than the growth rate of bank credit at 3.30percentas on mid-July 2023).

Considering excess liquidity, high concentration on the institutional deposit, higher portion of term deposits, etc banks should be proactive towards effective liquidity management.

5.2.6 Banking security risks

a. Employee/management related Fraud

With the increase in size and scope of banking business, risk of banking fraud has been increasing. The deceitful intentions of employee, management and even customer have led to number of banking fraud incidents. For instances, defrauding depositors amount deposited in the bank/vault cash, mismanagement of loans and assets (including NPAs), enticement from client, fake collateral, etc. At individual level, many of those involved in banking fraud are behind the bar and many are facing court cases. Similarly, at institutional level, bank has to face legal and reputational risk.

b. Weak cyber security

The use of digital banking has increased tremendously post covid pandemic. Mobile banking, internet banking, QR payment, digital wallets etc. are popular among digital financial service users. Digital banking exposes less financially literate customers to greater risks. The issue of the digital dividend and consumer privacy are also evolving as a major issue with the growth in the digital banking.

There have been possibility of cyber-attacks/frauds/crimes such as withdraw of money using expired ATM cards, hacking ATMs, hacking the banks by infiltrating the service providers (visa/ SCT/ MasterCard, etc) network system with a virus malware and blocking access to the bank's information system, distributed denial of service attacks, phishing, server crash, spyware, new types of cyber-crimes, etc. in the digital banking services. Such incidents may result into financial and reputational risk.

5.3 Challenges

5.3.1 Regulatory Compliance and Reporting

NRB issues number of directives, policies and guidelines to regulate the banking activities. Compliance of such regulatory provisions helps the bank to manage and mitigate the various risks directly and indirectly. However, offsite surveillance and onsite inspection of NRB shows the non-compliance of regulatory provision by the banks at many instances. Reasons for such non-compliance are mainly due to lack of knowledge and carelessness of bank's staffs of regulatory provision and tendency to seek for the loopholes in regulatory provisions. Despite of action against banks for non-compliance, the issue of non-compliance persists. Similarly, discrepancies are observed in the data reported by banks to NRB. Such reporting may misinform NRB in decision making. Therefore, ensuring effective regulatory compliance from the banks has been a challenge.

NRB has recently introduced Supervisory Information System (SIS) for data reporting by the banks and Business Intelligence (BI) system for data analytics. In this context, enhancing data

quality of reporting entities and strengthening analytical capability of the supervisor has been a challenge.

5.3.2 Maintaining Asset Quality

Bank specific variables such as asset quality, asset size and management quality significantly impact the banks' financial viability.

Over financing esp. in working capital loans, project loans, etc. have been found to be used in the purpose other than intended such as real estate sector, stock investment, etc. So, the borrower cash flow could not serve the debt obligations and booking of loan into non-performing loan has been increasing. Therefore, this has been one of the critical issues in the banking industry. NRB has issued Working Capital Guideline, 2079 to address this issue and streamline over-financing.

Maintaining banks' asset quality accompanied by increasing trend in NPL amidst lower economic activities, increase in size of restructured loans in total loans, closure of MSMEs/SMEs, decline in assets price has been a challenge.

5.3.3 Management

Ensuring compliance for sound financial health of banks amidst weak oversight function of the banks' board resulting in inadequate practice of reviewing the implementation/progress status of directions from NRB inspections (previous/current), status and implementation of comments from internal, external and IT audit reports has been another challenge.

Considering serious weakness in Board and senior management oversight function as observed during onsite inspections, they had been corrected with various enforcement actions. Confirming effective board and senior management oversight through professional, knowledgeable and prudent board along with independent management implementing fair and best practices for efficient operation of banks has been a major challenge.

5.3.4 Earning

Increase in non-performing assets has affected profitability. Likewise, banks' profitability has been expected to contract further leading more declines in ROE and ROA. This has been a matter of concern for the banking sector as some of the promoters had been observed exiting. In this situation, ensuring reasonable level of earning has been a challenge.

5.3.5 Liquidity Management

A bank is responsible for sound liquidity risk management. Given excess liquidity, high concentration on the institutional deposit, higher portion of term deposits, etc. encouraging banks towards effective liquidity management alongside preventing maturity mismatch through short-term and long-term resilience of its funding profile, discouraging unproductive usage of the excess liquidity in the banking sector and encouraging its mobilization towards

productive sector, encouraging banks for effective business operation has been a supervisory challenge.

5.3.6 Enhancing Financial Consumer Protection

Banking industry is built on trust and confidence. Therefore, in order to build public confidence towards the financial system by protecting the interest of financial consumers, NRB has established Financial Inclusion and Consumer Protection Division, issued various provisions related to protection of consumer data and privacy, conducted/required BFIs to conduct various financial education related programs and information dissemination/disclosure mechanism, launched online grievance and complaint register portal for timely redressal of increasing number of financial consumer complaints, fraud cases, employee related issues, etc.

Through effective implementation of financial consumer protection related provisions, ensuring equitable and fair treatment, adequate complaints handling and redressal mechanisms of financial consumers by banks has been a challenge.

5.3.7 AML/CFT Compliance

Nepal has been progressing towards its goal of strengthening AML/CFT/CPF regime by implementing legal and institutional measures. To make AML/CFT/CPF supervision more effective, a separate dedicated division named “Money Laundering Prevention Supervision Division” has also been established. Still corruption (bribery), tax (revenue) evasion, financial crimes such as banking offence and hundi have been found as the major threats in AML/CFT/CPF regime. There have been high chances of impacts of these threats/risks to banking sector which has been interconnected with other financial institutions.

In this context, ensuring implementation of robust transaction monitoring mechanism, ensuring adequate red flags/alerts to trigger suspicious transactions and its surveillance, maintaining consolidated database of PEPs, strengthening identification mechanism of beneficial ownership (BO), enhancing knowledge of staffs on ML/TF/PF issues, timely as well as qualitative STR/SAR reporting, managing risks from digital mode of transactions are challenges for effective AML/CFT/CPF compliance.

5.3.8 Enhancing Supervisory Capacity

The scope of banking business has widened and become more complex due to globalization and use of digital technology. New risks are emerging alongside the use of technology and complex banking products. In this regard, scope of supervision needs to be further enhanced to cover emerging risks like interconnectedness risk, technology risks and conduct risks. Likewise, enhancing supervisory capacity by developing skills and knowledge of the supervisors, strengthening supervisory framework in the changing context has been a challenge.

5.3.9 Adoption of International best practices

Adoption of international best prudential norms and supervisory practices, mitigation of the systemic risks through advanced approach of supervision, and ultimately achieving the financial stability have always been the aim of NRB. In this regard, implementation of Basel-III on a full scale and fulfilling other related international requirements has been another challenge for NRB. NRB has been continuously striving to develop necessary policies, guidelines and infrastructures, however, few provisions of Basel-III such as Net Stable Funding Ratio (NFSR), Systematically Important Financial Institutions (SIFIs) and Domestic Systematically Important Banks (DSIBs) measures, etc. still needs to be adopted.

Amidst the stagnant economic scenario, readiness of banks at current situation alongside data constraints (such as lacking of system for determination of Expected Credit Loss Model), need for enhancing supervisory capacity, timing of full fledged implementation of NFRS 9 from FY 2024-25; adoption of international best practices in a timely manner has been a challenge.

5.3.10 IT/Cyber risk & its Management

Banks are responsible for managing their IT and Cyber risks for keeping their IT systems running without significant interruptions. However, Banks' IT landscapes and threats are constantly evolving over time.

In this scenario, along with the adoption of advancement in digital technology, increased system interconnectedness in financial institutions, rising issues related with malicious attacks and cyber-attacks, etc, IT related risk taking of banks has intensified. Therefore, enhancing Board and senior management oversight alongside sufficient deployment of resources through development of proactive risk management culture has been a challenge for the supervisors.

BANK SUPERVISION REPORT, 2022/2023

ANNEXURES

Annex 1: Growth of Financial Institutions (numbers)

Types of Financial Institutions	Mid-July												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Commercial Banks	31	32	31	30	30	28	28	28	28	27	27	26	20
Development Banks	87	88	86	84	76	67	40	33	29	20	18	17	17
Finance Companies	79	69	59	53	48	42	28	25	23	22	17	17	17
Micro-finance Financial Institutions	21	24	31	37	38	42	53	65	90	85	70	65	57
Infrastructure Development Bank	-	-	-	-	-	-	-	-	1	1	1	1	1
Total	218	213	207	204	192	179	149	151	172	155	133	126	112

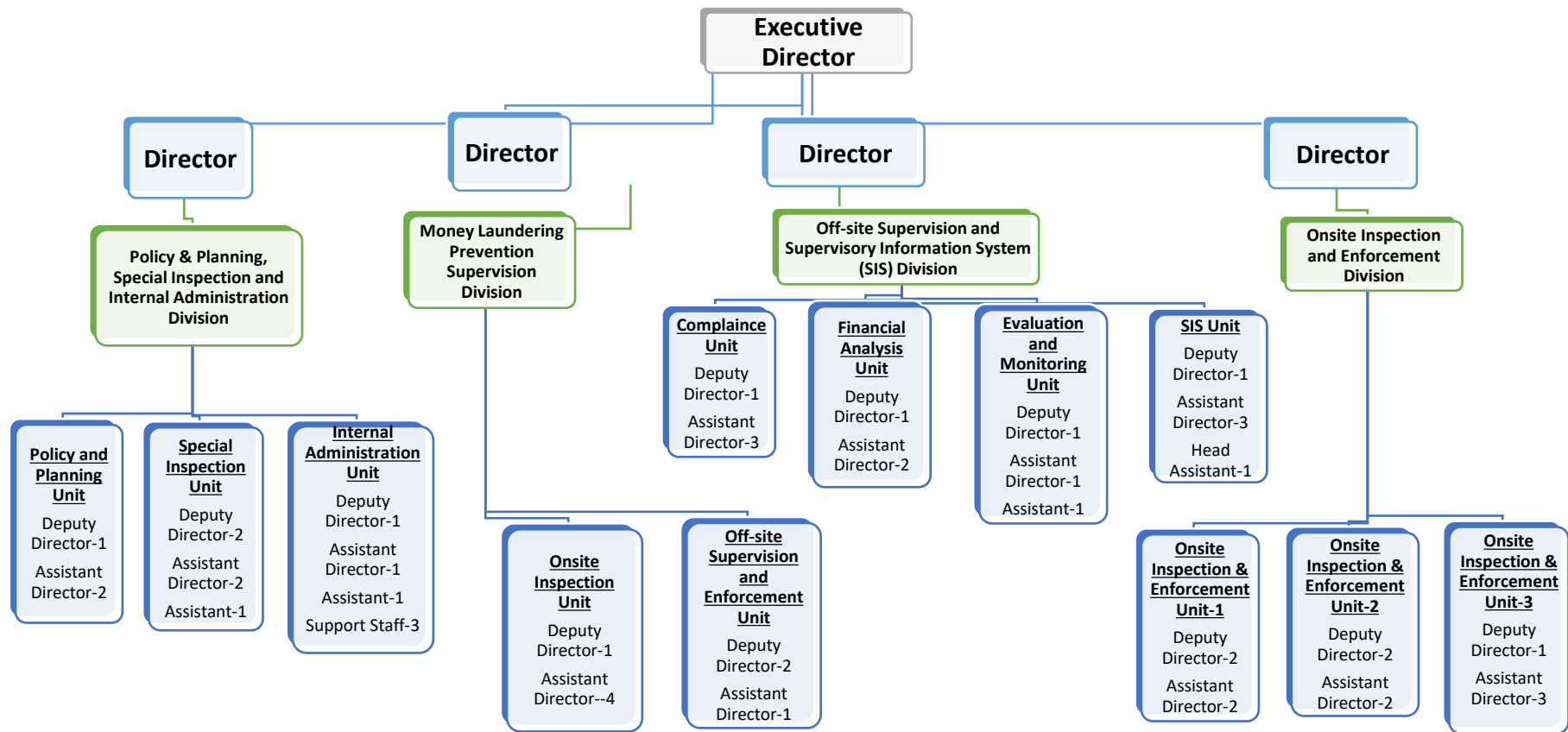
(Source: Bank and Financial Institutions Regulation Department, NRB)

Annex 2: Province-Wise Distribution of BFIs branches (Mid-July FY 2022/23)

S. No.	Province	Class A	Class B	Class C	Class D
1	Koshi	762	194	36	871
2	Madhesh	578	82	51	1,061
3	Bagmati	1,824	332	106	763
4	Gandaki	601	190	37	576
5	Lumbini	748	257	46	1,162
6	Karnali	206	21	3	236
7	Sudur Paschim	330	52	5	459
Total		5,049	1,128	284	5,128

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

Annex 3: Organisation Chart of BSD



Annex 4: Onsite Inspections in FY 2022/23

a. Full-Scope Onsite Inspection

S. N.	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
1	Kumari Bank Ltd.	Nepal Infrastructure Bank Ltd.	Prabhu Bank Ltd.	Himalayan Bank Ltd.
2	Nepal Credit and Commerce Bank Ltd.	Standard Chartered Bank Nepal Ltd.	Citizens Bank International Ltd.	Nepal Investment Mega Bank Ltd.
3		Nabil Bank Ltd.	Global IME Bank Ltd.	Prime Commercial Bank Ltd.
4		NIC Asia Bank Ltd.		
5				

b. Targeted Onsite Inspection

S.N.	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1	Laxmi Bank Ltd.	Rastriya Banijya Bank Ltd.	Everest Bank Ltd.	Agricultural Development Bank Ltd.
2	Nepal SBI Bank Ltd.	Sanima Bank Ltd.	NMB Bank Ltd.	Nepal Bank Ltd.
3		Sunrise Bank Ltd.	Machhapuchchhre Bank Ltd.	Siddhartha Bank Ltd.

Annex 5: Special Inspection of Commercial Banks in FY 2022/23

S. N.	Name of Bank	No. of Inspections
1	Rastriya Banijya Bank Ltd.	2
2	Global IME Bank Ltd.	3
3	Siddhartha Bank Ltd.	1
4	Himalayan Bank Ltd.	2
5	Prabhu Bank Ltd.	4
6	NMB Bank Ltd.	2
7	NIC Asia Bank Ltd.	2
8	Nabil Bank Ltd.	2
9	Prime Commercial Bank Ltd.	2
10	Citizens Bank International Ltd.	1
11	Sanima Bank Ltd.	1
12	Everest Bank Ltd.	2
13	Nepal SBI Bank Ltd.	1
14	Kumari Bank Ltd,	3
15	Nepal Bank Ltd.	2
16	Nepal Investment Mega Bank Ltd.	2
17	Agricultural Development Bank Ltd.	1
18	Laxmi Sunrise Bank Ltd.	4

Note- Number of inspections include inspection of banks before as well as after merger/acquisition.

Annex 6: Circulars issued in FY 2022/23

S.N.	Name and Link to the Circular Issued	Issued Date
1	Circular 01 (A, B, C) - Amendment in Unified Directives, 2078 (Interim Financial Statements Related)	2079.04.05
2	Circular 02 (A, B, C) - Amendment in Unified Directives, 2078	2079.04.18
3	Circular 03 (A, B, C) - Amendment in Unified Directives, 2078	2079.06.14
4	Circular 01 (Infrastructure) - Amendment in Unified Directives for IDB, 2078	2079.06.14
5	Circular 04 (A, B, C) - Amendment in Unified Directives, 2078	2079.08.16
6	Circular 05 (A, B, C) - Amendment in Unified Directives, 2078 (based on 1st Quarter review of Monetary Policy of FY 2079/80)	2079.08.28
7	Circular 06 (A, B, C) - Amendment in Unified Directives, 2078 (related to qualification of promoter and CEO)	2079.08.29
8	Circular 02 (Infrastructure) - Amendment in Unified Directives for IDB, 2078 (related to qualification of promoter and CEO)	2079.08.29
9	Circular 07 (A, B, C) - Amendment in Unified Directives, 2078 (related to implementation of SIS)	2079.10.03
10	Circular 03 (Infrastructure) - Amendment in Unified Directives for IDB, 2078 (related to implementation of SIS)	2079.10.03
11	Circular 08 (A, B, C) - Amendment in Unified Directives, 2078	2079.10.26
12	Circular 04 (Infrastructure) - Amendment in Unified Directives for IDB, 2078	2079.10.26
13	Circular 09 (A, B, C) - Issue of Unified Directives, 2079	2079.11.02
14	Circular 10 (A, B, C) - Amendment in Unified Directives, 2079	2079.11.12
15	Circular 11 (A, B, C) - Amendment in Unified Directives, 2079	2080.01.25
16	Circular 12 (A, B, C) - Amendment in Unified Directives, 2079	2080.02.03
17	Circular 13 (A, B, C) - Amendment in Unified Directives, 2079	2080.02.23

Annex 7: Financial Figures of Banks

Annex 7.1: Banking Operation

	Amount (Rs. in billion)			Percentage Change	
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2021/22	FY 2022/23
Deposits					
State-owned Commercial Banks	589.47	620.81	765.66	5.32	23.33
Non State-owned Commercial Banks	3,496.73	3,841.15	4,238.77	9.85	10.35
Commercial Banks (in Total)	4,086.20	4,461.96	5,004.42	9.20	12.16
Loans and Advances					
State-owned Commercial Banks	485.98	581.80	607.44	19.72	4.41
Non State-owned Commercial Banks	3,201.676	3,571.65	3,658.13	11.56	2.42
Commercial Banks (in Total)	3,687.65	4,153.45	4,265.57	12.63	2.70
Assets					
State-owned Commercial Banks	755.07	836.50	956.43	10.78	14.34
Non State-owned Commercial Banks	4,468.00	4,955.07	5,224.08	10.90	5.43

Commercial Banks (in Total)	5,223.07	5,791.58	6,180.51	10.88	6.72
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(Source: Audited Financial Report of Commercial Banks)

Annex 7.2: Composition of Assets

Assets Category	Amount (Rs. in billion)			Percentage Change	
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2021/22	FY 2022/23
Cash and Cash Equivalent	267.71	304.70	289.47	13.82	-5.00
Due from NRB	262.14	209.12	288.71	-20.23	38.06
Placements with BFIs	67.47	37.36	72.56	-44.62	94.23
Loan and Advances to BFIs	151.61	169.45	161.68	11.77	-4.59
Loans and advances to customers	3,536.05	3,984.00	4,103.89	12.67	3.01
Investment securities	711.32	871.78	973.47	22.56	11.66
Others	226.78	215.16	290.73	-5.12	35.12
Total Assets	5,223.07	5,791.58	6,180.51	10.88	6.72

(Source: Audited Financial Reports of Commercial Banks)

Annex 7.3: Composition of Liabilities and Equity

Particulars	Amount (Rs. in billion)			Percentage Change	
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2021/22	FY 2022/23
Due to Bank and Financial Institutions	143.42	114.83	102.27	-19.94	-10.93
Deposits from customers	4,086.20	4,461.96	5,004.42	9.20	12.16
Share capital	316.20	357.10	369.86	12.93	3.57
Retained Earnings	52.06	47.36	16.24	-9.04	-65.71
Reserves	181.76	207.31	275.36	14.05	32.83
Others	443.43	603.03	412.36	35.99	-31.62
Total Liabilities and Equity	5,223.07	5,791.58	6,180.51	10.88	6.72

(Source: Audited Financial Reports of Commercial Banks)

Annex 7.4: Capital Fund

Banks	Capital Fund (Amount- Rs. in billion)			Percentage Change	
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2021/22	FY 2022/23
State-owned Commercial Banks	105.42	104.05	102.69	-1.30	-1.31
Non State-owned Commercial Banks	527.19	588.85	604.61	11.70	2.68
Commercial Banks (in Total)	632.61	692.90	707.30	9.53	2.08

(Source: Unaudited figures from Offsite Supervision Unit, BSD)

Annex 7.5: Deposit Mix

Deposit Mix	Amount (Rs. in billion)			Percentage Change	
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2021/22	FY 2022/23
Current	461.98	426.13	441.57	-7.76	3.62
Saving	1,386.38	1,228.24	1366.48	-11.41	11.26
Fixed	1,865.14	2,404.55	2898.15	28.92	20.53
Other	372.69	383.50	380.05	2.90	-0.90
Total	4,086.19	4,442.42	5,086.24	8.72	14.49

(Source: Unaudited figures from Offsite Supervision Unit, BSD)

Annex 7.6: Loans and Advances

Particulars	Amount (Rs. in billion)			Percentage Change	
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2021/22	FY 2022/23
State-owned Commercial Banks	485.98	581.80	607.44	19.72	4.41
Non State-owned Commercial Banks	3,201.68	3,571.65	3,658.13	11.56	2.42
Commercial Banks (in Total)	3,687.65	4,153.45	4,265.57	12.63	2.70

(Source: Audited Financial Reports of Commercial Banks)

Annex 7.7: Non-Performing Loans

Banks	Non-performing Loan (Amount-Rs. in billion)			Percentage Change	
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2020/21	FY 2022/23
State-owned Commercial Banks	11.85	11.03	17.15	-6.92	55.45
Non State-owned Commercial Banks	40.33	39.11	111.48	-3.01	185.01
Commercial Banks (in Total)	52.18	50.15	128.64	-3.90	156.53

(Source: Unaudited figures from Offsite Supervision Unit, BSD)

Annex 7.8: Non-Banking Assets

Banks	Non-Banking Assets (Amount-Rs. in billion)			Percentage Change	
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2020/21	FY 2021/22
State-owned Commercial Banks	0.43	0.54	0.64	25.58	19.37
Non State-owned Commercial Banks	6.34	8.10	14.66	27.76	81.00
Commercial Banks (in Total)	6.77	8.64	15.31	27.62	77.15

(Source: Unaudited figures from Offsite Supervision Unit, BSD)

Annex 7.9: Investment Portfolios

Particulars	FY 2022/23	
	Amount (Rs. in billion)	Proportion (in Percent)
Government	918.94	78.25
NRB Bonds	16.50	1.41
Bonds	-	0.00
Non-Financial Govt. Institutions	-	0.00
Shares & Debenture	93.41	7.95
Interbank Investment	6.47	0.55
Fixed Deposit Investment	2.76	0.24
Gold (Tradable)	0.32	0.03
Other Investment	135.91	11.57
Total Investment	1,174.32	100.00

(Source: Unaudited figures from Offsite Supervision Unit, BSD)

Annex 7.10: Operating Efficiency

Particulars/ Year	FY 2021/22				FY 2022/23			
	State-owned Commercial Banks		Non State-Owned Commercial Banks		State-owned Commercial Banks		Non State-Owned Commercial Banks	
	Amount	Percent on Total Operating Income	Amount	Percent on Total Operating Income	Amount	Percent on Total Operating Income	Amount	Percent on Total Operating Income
Interest Income	56.71	196.76	382.04	230.28	79.38	236.98	472.11	248.87
Net Interest Income	24.37	84.54	128.53	77.47	29.42	87.83	156.64	82.57
Operating Profit	13.06	45.31	81.16	48.92	12.34	36.83	73.80	38.90
Net Income	9.44	32.76	56.80	34.24	8.36	24.95	48.22	25.42
Total Operating Income	28.82		165.90		33.50		189.70	

(Source: Audited Financial Reports of Commercial Banks)

Annex 7.11: Net Interest Spread (Net Interest Margin)

Banks	Net Interest Spread (in Percent)		
	FY 2020/21	FY 2021/22	FY 2022/23
State-owned Commercial Banks	4.36	3.02	3.57
Non State-owned Commercial Banks	3.52	2.72	3.1
Commercial Banks	3.61	2.76	3.17

Note: Net Interest Spread= (Interest Income/Loan and Advances; and Investment)-(Interest Expense/Deposit and borrowings)

(Source: Unaudited figures from Offsite Supervision Unit, BSD)

Annex 7.12: Liquid Asset to Total Deposit Ratio

Particulars	Amount (Rs. in billion)		
	FY 2020/21	FY 2021/22	FY 2022/23
Liquid Assets	1,167.00	1,239.25	1,480.26
Total Deposits	4,086.00	4,544.36	5,086.30
Liquid Assets to Total Deposit Ratio (in percent)	28.56	27.27	29.10

(Source: Unaudited figures from Offsite Supervision Unit, BSD)

Annex 7.13: Liquid Asset to Total Asset Ratio

Particulars	Amount (Rs. in billion)		
	FY 2020/21	FY 2021/22	FY 2022/23
Liquid Assets	1,167.00	1,239.25	1,480.26
Total Assets	5,223.00	5,998.86	6,468.28
Liquid Asset to Total Asset Ratio (in percent)	22.34	20.66	22.88

(Source: Unaudited figures from Offsite Supervision Unit, BSD)

Annex 7.14: Deprived Sector Lending of Commercial Banks as of Mid-July 2023

S. N.	Bank	Total Outstanding Loan Prior to 6 Months (Rs. in million)	Minimum Required Deprived Sector Lending (5%)	Actual Lending in Deprived Sector (Rs. in million)	Actual Lending in Deprived Sector (%)	Excess/ (Shortfall) (%)
1	Nepal Bank Ltd.	178,788	8,939	12,590	7.04	2.04
2	Rastriya Banijya Bank Ltd.	235,530	11,776	15,567	6.61	1.61
3	Nabil Bank Ltd.	324,840	16,242	16,632	5.12	0.12
4	Nepal Investment Bank Ltd.	331,120	16,556	16,822	5.08	0.08
5	Standard Chartered Bank Ltd.	95,788	4,789	4,970	5.19	0.19
6	Himalayan Bank Ltd.	250,437	12,522	13,634	5.44	0.44
7	Nepal SBI Bank Ltd.	125,069	6,253	7,001	5.60	0.60
8	Everest Bank Ltd.	164,453	8,223	8,717	5.30	0.30
9	NIC Asia Bank Ltd	266,667	13,333	13,664	5.12	0.12
10	Machhapuchhre Bank Ltd.	133,360	6,668	6,731	5.05	0.05
11	Kumari Bank Ltd.	282,648	14,132	14,423	5.10	0.10
12	Laxmi Bank Ltd.	256,794	12,840	17,193	6.70	1.70
13	Siddharth Bank Ltd.	184,757	9,238	10,047	5.44	0.44
14	Agriculture Development Bank Ltd.	179,727	8,986	31,523	17.54	12.54
15	Global IME Bank Ltd.	379,882	18,994	20,755	5.46	0.46
16	Citizens Bank International Ltd.	142,540	7,127	15,826	11.10	6.10
17	Prime Commercial Bank Ltd.	156,850	7,843	8,800	5.61	0.61
18	NMB Bank Ltd.	190,313	9,516	10,615	5.58	0.58

19	Prabhu Bank Ltd.	250,273	12,514	12,544	5.01	0.01
20	Sanima Bank Ltd.	146,883	7,344	8,038	5.47	0.47
	Total	4,276,718	213,836	266,093	6.22	1.22

(Source: Unaudited figures from Offsite Supervision Unit, BSD)

Annex 8: Audited Financial Details of Commercial Banks as on mid-July

1. Nepal Bank Limited	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	6,528.39	6,391.60	8,656.50
Due from Nepal Rastra Bank	6,803.87	6,841.25	19,748.87
Placement with Bank and Financial Institutions	4,319.42	491.03	582.51
Derivative financial instruments	8,516.61	491.91	8.59
Other trading assets	101.20	105.28	115.04
Loans and advances to BFIs	6,538.59	6,159.62	5,499.66
Loans and advances to customers	135,420.47	171,480.50	178,556.57
Investment securities	30,009.31	42,786.91	56,946.18
Current tax assets	1,642.24	1,950.39	1,202.97
Investment in subsidiaries	-	-	-
Investment in associates	-	-	2,736.95
Investment property	111.03	108.55	198.11
Property and equipment	12,240.08	13,243.16	13,363.62
Goodwill and Intangible assets	45.84	35.44	31.84
Deferred tax assets	-	-	-
Other assets	10,368.43	9,992.24	9,088.17
Total Assets	222,645.48	260,077.88	296,735.60
Liabilities	189,430.33	224,614.26	260,212.93
Due to Bank and Financial Institutions	809.13	1,090.68	1,275.44
Due to Nepal Rastra Bank	6,062.64	5,888.87	70.00
Derivative Financial Instrument	8,474.69	508.07	8.54
Deposits from customers	162,813.38	196,076.15	244,514.00
Borrowings	-	7,304.18	262.30
Current Tax Liabilities	-	-	-
Provisions	80.22	65.97	247.90
Deferred tax liabilities	4,435.21	4,269.15	4,082.58
Other liabilities	3,261.14	5,917.39	6,257.81
Debt securities issued	3,493.92	3,493.81	3,494.35
Subordinated Liabilities	-	-	-
Equity	33,215.15	35,463.61	36,522.67
Share Capital	12,636.76	14,405.90	14,694.02
Share premium	431.88	-	-
Retained earnings	3,732.37	3,422.20	0.39
Reserves	16,414.13	17,635.51	21,828.26
Total Liabilities and Equity	222,645.48	260,077.88	296,735.60

Statement of Profit or Loss	2021	2022	2023
Interest Income	11,887.17	16,439.95	25,158.12
Interest Expense	5,466.72	9,725.36	15,751.16
Net Interest Income	6,420.44	6,714.59	9,406.95
Fees and commission income	953.78	968.76	1,019.38
Fees and commission expense	67.35	81.81	188.31
Net fee and commission income	886.43	886.94	831.07
Net interest, fee and commission income	7,306.87	7,601.53	10,238.02
Net trading income	456.85	198.14	78.64
Other operating income	425.28	270.19	309.23
Total operating income	8,189.00	8,069.86	10,625.89
Impairment charge/(reversal) for loans and other losses	497.62	853.66	1,113.35
Net operating income	7,691.38	7,216.20	9,512.54
Personnel expenses	2,353.46	2,451.90	3,885.52
Other operating expenses	813.08	787.73	916.77
Depreciation and Amortization	177.18	339.10	375.92
Operating Profit	4,347.66	3,637.46	4,334.34
Non-operating income	224.76	219.33	77.26
Non-operating expense	-	-	-
Profit before income tax	4,572.42	3,856.79	4,411.61
Income Tax Expense			-
Current Tax	1,275.94	983.65	1,177.45
Deferred Tax	335.25	(50.14)	(203.42)
Profit for the period	2,961.23	2,923.28	3,437.58

2. Rastriya Banijya Bank	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	15,735.16	7,880.10	9,789.49
Due from Nepal Rastra Bank	20,128.50	16,423.32	22,675.06
Placement with Bank and Financial Institutions	-	-	-
Derivative financial instruments	1.50	-	2.73
Other trading assets	-	-	-
Loans and advances to BFIs	15,434.07	16,533.78	15,633.03
Loans and advances to customers	177,870.98	210,183.76	227,308.98
Investment securities	71,061.22	65,377.12	76,090.63
Current tax assets	3,341.89	3,636.50	4,816.61
Investment in subsidiaries	200.00	200.00	400.00
Investment in associates	206.11	206.11	809.44
Investment property	124.57	177.27	196.98
Property and equipment	1,844.29	3,167.48	30,362.09
Goodwill and Intangible assets	57.87	52.41	50.45
Deferred tax assets	-	-	-

Other assets	3,981.29	6,404.96	5,886.22
Total Assets	309,987.46	330,242.80	394,021.73
Liabilities	281,313.16	297,563.87	343,283.42
Due to Bank and Financial Institutions	2,369.24	4,748.84	1,329.69
Due to Nepal Rastra Bank	3,794.08	24,060.74	-
Derivative Financial Instrument	-	-	-
Deposits from customers	263,836.77	258,144.30	321,654.94
Borrowings	60.00	60.00	60.00
Current Tax Liabilities	-	-	-
Provisions	436.94	375.72	322.49
Deferred tax liabilities	847.76	320.00	7,454.99
Other liabilities	7,450.91	7,247.15	9,960.72
Debt securities issued	2,517.47	2,607.12	2,500.58
Subordinated Liabilities	-	-	-
Equity	28,674.30	32,678.94	50,738.31
Share Capital	10,184.89	14,940.36	15,637.38
Share premium	-	-	-
Retained earnings	3,453.80	1,863.44	918.41
Reserves	15,035.60	15,875.14	34,182.52
Total Liabilities and Equity	309,987.46	330,242.80	394,021.73
Statement of Profit or Loss	2021	2022	2023
Interest Income	16,229.11	20,689.74	30,272.40
Interest Expense	8,019.66	11,393.79	18,456.17
Net Interest Income	8,209.45	9,295.95	11,816.23
Fees and commission income	978.00	1,019.60	1,091.72
Fees and commission expense	258.24	349.34	427.22
Net fee and commission income	719.76	670.26	664.50
Net interest, fee and commission income	8,929.21	9,966.21	12,480.72
Net trading income	161.28	27.27	(2.85)
Other operating income	633.44	993.97	790.51
Total operating income	9,723.93	10,987.44	13,268.39
Impairment charge/(reversal) for loans and other losses	723.38	355.72	2,608.61
Net operating income	9,000.55	10,631.72	10,659.78
Personnel expenses	3,031.78	3,200.13	3,967.26
Other operating expenses	1,234.09	1,055.09	1,165.72
Depreciation and Amortization	237.69	559.10	564.54
Operating Profit	4,496.99	5,817.40	4,962.25
Non-operating income	391.04	430.43	115.01
Non-operating expense	-	120.78	-
Profit before income tax	4,888.03	6,127.05	5,077.26
Income Tax Expense	-	-	-
Current Tax	589.44	1,499.40	994.19
Deferred Tax	874.96	334.82	487.95
Profit for the period	3,423.63	4,292.82	3,595.13

3. Agricultural Development Bank	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	10,636.73	6,559.90	9,462.42
Due from Nepal Rastra Bank	9,740.61	6,208.95	7,096.50
Placement with Bank and Financial Institutions	4,117.58	127.90	-
Derivative financial instruments	70.86	103.88	17.59
Other trading assets	1,666.53	1,047.49	943.65
Loans and advances to BFIs	113.67	4,123.68	4,134.54
Loans and advances to customers	150,598.36	173,314.97	176,303.57
Investment securities	37,880.07	45,922.12	57,411.02
Current tax assets	1,214.56	966.32	276.71
Investment in subsidiaries	28.84	28.84	28.84
Investment in associates	69.38	69.38	-
Investment property	198.28	252.59	248.65
Property and equipment	1,480.62	2,225.08	2,291.07
Goodwill and Intangible assets	262.01	229.77	138.59
Deferred tax assets	-	52.15	-
Other assets	4,362.25	4,951.22	7,317.84
Total Assets	222,440.35	246,184.24	265,670.98
Liabilities	190,935.23	212,827.21	231,877.33
Due to Bank and Financial Institutions	175.32	7,998.74	2,095.92
Due to Nepal Rastra Bank	8,716.36	9,781.71	4.57
Derivative Financial Instrument	-	-	-
Deposits from customers	162,814.93	166,590.27	199,486.61
Borrowings	538.53	1,777.21	2,136.56
Current Tax Liabilities	-	-	-
Provisions	-	-	-
Deferred tax liabilities	327.59	-	484.36
Other liabilities	3,886.28	6,210.24	7,195.77
Debt securities issued	14,476.21	20,469.04	20,473.53
Subordinated Liabilities	-	-	-
Equity	31,505.12	33,357.03	33,793.65
Share Capital	10,989.93	18,620.63	18,884.39
Share premium	5,432.71	-	-
Retained earnings	3,654.51	3,521.79	1,243.17
Reserves	11,427.96	11,214.61	13,666.10
Total Liabilities and Equity	222,440.35	246,184.24	265,670.98
Statement of Profit or Loss	2021	2022	2023
Interest Income	15,124.05	19,582.60	23,948.68
Interest Expense	8,258.33	11,226.66	15,753.03
Net Interest Income	6,865.72	8,355.94	8,195.66
Fees and commission income	1,612.95	1,464.29	1,371.86

Fees and commission expense	46.88	56.19	213.65
Net fee and commission income	1,566.07	1,408.10	1,158.21
Net interest, fee and commission income	8,431.79	9,764.04	9,353.87
Net trading income	994.30	232.46	115.52
Other operating income	452.41	234.76	131.79
Total operating income	9,878.50	9,766.34	9,601.18
Impairment charge/(reversal) for loans and other losses	121.43	992.76	1,458.17
Net operating income	9,757.07	8,773.58	8,143.01
Personnel expenses	3,311.39	3,823.92	3,620.73
Other operating expenses	1,132.68	872.31	995.69
Depreciation and Amortization	275.69	472.95	487.08
Operating Profit	5,037.32	3,604.41	3,039.50
Non-operating income	28.24	87.53	101.74
Non-operating expense	3.21	51.55	26.37
Profit before income tax	5,062.34	3,640.39	3,114.88
Income Tax Expense	-	-	1,791.47
Current Tax	1,344.77	1,684.70	1,633.08
Deferred Tax	190.04	(270.07)	158.39
Profit for the period	3,527.54	2,225.77	1,323.41

4. Nabil Bank Limited	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	7,285.64	11,051.54	6,774.26
Due from Nepal Rastra Bank	8,024.17	13,037.24	25,652.42
Placement with Bank and Financial Institutions	9,865.21	8,870.90	13,424.39
Derivative financial instruments	13,615.33	1,373.61	3,833.46
Other trading assets	-	29.73	-
Loans and advances to BFIs	8,601.57	10,366.94	8,283.06
Loans and advances to customers	198,021.42	300,205.65	331,123.17
Investment securities	39,889.09	62,455.04	76,452.98
Current tax assets	307.01	606.48	-
Investment in subsidiaries	78.00	298.00	1,798.00
Investment in associates	80.00	80.00	80.00
Investment property	8.75	1,318.60	1,827.07
Property and equipment	1,692.63	3,536.10	3,871.27
Goodwill and Intangible assets	62.65	291.72	285.46
Deferred tax assets	-	-	-
Other assets	3,534.74	6,296.55	7,798.00
Total Assets	291,066.22	419,818.10	481,203.55
Liabilities	257,208.12	366,836.35	424,290.87
Due to Bank and Financial Institutions	4,502.71	3,353.61	6,277.71
Due to Nepal Rastra Bank	5,450.39	4,657.44	-
Derivative Financial Instrument	13,634.23	1,390.74	3,812.95
Deposits from customers	223,474.47	326,222.31	396,843.50
Borrowings	-	10,720.73	-

Current Tax Liabilities	-	-	482.35
Provisions	-	-	-
Deferred tax liabilities	1,346.34	1,778.50	1,918.85
Other liabilities	6,703.35	12,228.18	8,468.53
Debt securities issued	2,096.63	6,484.84	6,486.98
Subordinated Liabilities	-	-	-
Equity	33,858.11	52,981.75	56,912.68
Share Capital	13,844.45	22,832.91	27,057.00
Share premium	158.76	0.18	-
Retained earnings	4,162.93	2,899.54	3,187.06
Reserves	15,691.97	27,249.12	26,668.62
Total Liabilities and Equity	291,066.22	419,818.10	481,203.55
Statement of Profit or Loss	2021	2022	2023
Interest Income	17,188.72	23,340.75	46,251.16
Interest Expense	9,112.83	14,421.88	28,502.32
Net Interest Income	8,075.88	8,918.87	17,748.84
Fees and commission income	1,565.80	2,043.27	3,545.85
Fees and commission expense	77.23	464.38	651.05
Net fee and commission income	1,488.57	1,578.90	2,894.79
Net interest, fee and commission income	9,564.45	10,497.77	20,643.63
Net trading income	643.76	564.99	486.56
Other operating income	1,451.44	410.41	365.91
Total operating income	11,659.65	11,473.17	21,496.10
Impairment charge/(reversal) for loans and other losses	827.52	1,118.82	5,426.27
Net operating income	10,832.13	10,354.35	16,069.83
Personnel expenses	3,411.79	2,658.93	4,525.10
Other operating expenses	1,052.75	1,023.80	1,528.76
Depreciation and Amortization	141.57	390.03	503.21
Operating Profit	6,226.02	6,281.59	9,512.76
Non-operating income	35.30	8.70	43.33
Non-operating expense	5.87	2.73	274.88
Profit before income tax	6,255.46	6,287.56	9,281.21
Income Tax Expense	-	-	-
Current Tax	2,258.55	1,940.23	2,803.08
Deferred Tax	(530.64)	91.31	73.19
Profit for the period	4,527.55	4,256.02	6,404.94

5. Nepal Investment Mega Bank Limited	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	7,012.72	11,148.24	19,396.68
Due from Nepal Rastra Bank	7,417.25	5,637.28	20,554.79
Placement with Bank and Financial Institutions	8,136.78	8,778.71	15,824.90

Personnel expenses	1,708.09	1,874.39	3,036.30
Other operating expenses	865.49	722.55	1,184.02
Depreciation and Amortization	260.24	487.55	712.32
Operating Profit	5,119.52	6,289.66	6,635.63
Non-operating income	4.08	2.90	2.27
Non-operating expense	64.73	904.11	1,300.82
Profit before income tax	5,058.87	5,388.45	5,337.08
Income Tax Expense	-	-	-
Current Tax	1,531.31	1,620.51	2,292.93
Deferred Tax	(31.05)	(29.66)	(676.68)
Profit for the period	3,558.61	3,797.60	3,720.83

6. Standard Chartered Bank Nepal Limited Statement of Financial Position	Amount (Rs. in Millions)		
	2021	2022	2023
Assets			
Cash and cash equivalents	26,856.98	19,139.90	16,961.55
Due from Nepal Rastra Bank	2,236.48	2,380.23	4,032.14
Placement with Bank and Financial Institutions	-	2,567.37	6,940.37
Derivative financial instruments	0.27	22.00	8.18
Other trading assets	-	-	-
Loans and advances to BFIs	9,065.23	10,217.35	16,830.21
Loans and advances to customers	62,408.70	79,197.40	77,831.30
Investment securities	12,816.34	7,910.85	26,362.13
Current tax assets	124.72	113.13	152.50
Investment in subsidiaries	-	-	-
Investment in associates	-	-	-
Investment property	-	-	-
Property and equipment	277.10	612.94	568.14
Goodwill and Intangible assets	-	-	-
Deferred tax assets	-	51.17	10.31
Other assets	952.94	1,143.36	1,681.16
Total Assets	114,738.76	123,355.71	151,378.01
Liabilities	98,516.64	105,220.61	131,235.32
Due to Bank and Financial Institutions	8,426.45	8,223.67	4,992.30
Due to Nepal Rastra Bank	621.51	514.99	-
Derivative Financial Instrument	20.81	0.19	88.85
Deposits from customers	87,564.22	93,721.92	117,500.98
Borrowings	-	-	2,630.60
Current Tax Liabilities	-	-	-
Provisions	19.60	-	-
Deferred tax liabilities	20.07	-	-
Other liabilities	1,844.00	2,759.85	3,528.73
Debt securities issued	-	-	2,493.87
Subordinated Liabilities	-	-	-
Equity	16,222.12	18,135.10	20,142.69
Share Capital	8,572.23	9,429.45	9,429.45

Share premium	-	-	-
Retained earnings	1,776.75	2,197.90	2,710.56
Reserves	5,873.13	6,507.75	8,002.68
Total Liabilities and Equity	114,738.76	123,355.71	151,378.01
Statement of Profit or Loss	2021	2022	2023
Interest Income	5,320.63	7,527.92	12,744.04
Interest Expense	2,726.84	3,787.46	6,788.01
Net Interest Income	2,593.79	3,740.46	5,956.03
Fees and commission income	739.04	989.62	1,475.46
Fees and commission expense	38.74	56.98	191.53
Net fee and commission income	700.30	932.64	1,283.93
Net interest, fee and commission income	3,294.10	4,673.11	7,239.96
Net trading income	759.05	657.44	582.15
Other operating income	10.52	2.92	20.45
Total operating income	4,063.66	5,333.47	7,842.55
Impairment charge/(reversal) for loans and other losses	408.38	134.31	598.25
Net operating income	3,655.28	5,199.16	7,244.31
Personnel expenses	1,052.26	1,268.00	1,542.79
Other operating expenses	526.33	542.07	571.03
Depreciation and Amortization	64.11	148.64	158.78
Operating Profit	2,012.59	3,240.45	4,971.71
Non-operating income	-	-	7.45
Non-operating expense	5.00	8.49	19.54
Profit before income tax	2,007.59	3,231.96	4,959.62
Income Tax Expense			-
Current Tax	598.72	1,019.49	1,495.88
Deferred Tax	10.04	(43.47)	(1.59)
Profit for the period	1,398.84	2,255.93	3,465.33

7. Himlayan Bank Limited	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	8,910.94	11,391.81	18,392.31
Due from Nepal Rastra Bank	7,535.70	7,133.56	20,235.96
Placement with Bank and Financial Institutions	3,780.74	3,322.40	5,019.36
Derivative financial instruments	92.63	17.10	29.84
Other trading assets	-	-	-
Loans and advances to BFIs	6,045.81	7,851.03	10,587.33
Loans and advances to customers	126,048.13	147,121.80	227,402.17
Investment securities	20,433.63	31,900.98	37,596.00
Current tax assets	418.40	459.91	545.73
Investment in subsidiaries	200.00	200.00	1,060.06
Investment in associates	185.06	192.71	190.93
Investment property	379.80	239.10	589.16

Property and equipment	2,519.64	3,814.32	5,215.53
Goodwill and Intangible assets	222.39	199.11	995.35
Deferred tax assets	-	-	807.27
Other assets	1,718.04	2,442.45	3,725.91
Total Assets	178,490.93	216,286.27	332,392.90
Liabilities	158,358.21	194,276.08	298,762.53
Due to Bank and Financial Institutions	8,360.64	3,067.88	5,187.37
Due to Nepal Rastra Bank	3,025.60	14,807.90	546.95
Derivative Financial Instrument	52.94	25.73	8.79
Deposits from customers	141,021.07	168,419.49	275,310.99
Borrowings	-	-	-
Current Tax Liabilities	-	-	-
Provisions	-	-	-
Deferred tax liabilities	114.57	90.52	-
Other liabilities	3,090.59	5,170.99	9,327.64
Debt securities issued	2,692.81	2,693.57	8,380.79
Subordinated Liabilities	-	-	-
Equity	20,132.71	22,010.20	33,630.37
Share Capital	10,684.40	12,968.73	21,656.62
Share premium	-	-	-
Retained earnings	2,938.20	2,567.79	(3,242.63)
Reserves	6,510.11	6,473.68	15,216.38
Total Liabilities and Equity	178,490.93	216,286.27	332,392.90
Statement of Profit or Loss	2021	2022	2023
Interest Income	10,370.84	16,565.85	29,094.72
Interest Expense	6,582.12	11,622.53	19,173.93
Net Interest Income	3,788.72	4,943.32	9,920.78
Fees and commission income	778.66	1,019.04	1,106.88
Fees and commission expense	80.48	105.47	139.79
Net fee and commission income	698.18	913.57	967.09
Net interest, fee and commission income	4,486.90	5,856.89	10,887.87
Net trading income	655.01	595.91	382.60
Other operating income	2,227.73	126.40	308.27
Total operating income	7,369.63	6,579.20	11,578.74
Impairment charge/(reversal) for loans and other losses	145.32	1,280.86	4,868.93
Net operating income	7,224.31	5,298.33	6,709.81
Personnel expenses	1,859.37	1,628.05	2,065.44
Other operating expenses	870.90	758.71	1,076.99
Depreciation and Amortization	186.18	355.28	484.46
Operating Profit	4,307.87	2,556.28	3,082.92
Non-operating income	18.34	860.05	7.18
Non-operating expense	66.89	19.50	1,070.45

Profit before income tax	4,259.31	3,396.83	2,019.66
Income Tax Expense			-
Current Tax	1,277.00	1,054.86	1,482.06
Deferred Tax	(16.31)	(25.57)	(1,025.21)
Profit for the period	2,998.62	2,367.54	1,562.82

8. Nepal SBI Bank Limited	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	8,426.35	10,160.63	12,235.88
Due from Nepal Rastra Bank	3,272.98	4,519.93	8,385.45
Placement with Bank and Financial Institutions	-	-	5,044.19
Derivative financial instruments	-	33.91	3.51
Other trading assets	90.56	60.44	75.93
Loans and advances to BFIs	4,586.77	5,183.05	5,621.62
Loans and advances to customers	96,951.27	105,394.04	116,302.29
Investment securities	21,246.99	23,575.97	33,878.74
Current tax assets	410.02	403.89	539.77
Investment in subsidiaries	188.89	188.89	188.89
Investment in associates	-	-	-
Investment property	-	-	-
Property and equipment	873.43	1,053.95	2,066.01
Goodwill and Intangible assets	5.26	6.97	8.19
Deferred tax assets	389.99	322.16	379.71
Other assets	1,366.27	2,198.99	1,227.97
Total Assets	137,808.77	153,102.80	185,958.13
Liabilities	122,408.70	135,989.37	167,691.43
Due to Bank and Financial Institutions	6,093.68	4,467.40	4,009.72
Due to Nepal Rastra Bank	4,265.51	1,303.50	-
Derivative Financial Instrument	20.18		-
Deposits from customers	106,238.47	119,710.21	150,828.38
Borrowings	-	3,853.81	4,017.90
Current Tax Liabilities	-	-	-
Provisions	-	-	-
Deferred tax liabilities	-	-	-
Other liabilities	2,762.17	4,025.37	4,208.43
Debt securities issued	3,028.70	2,629.09	4,627.00
Subordinated Liabilities	-	-	-
Equity	15,400.07	17,113.43	18,266.70
Share Capital	9,493.58	9,825.85	10,120.63
Share premium	-	-	-
Retained earnings	889.62	1,454.16	1,070.55
Reserves	5,016.87	5,833.42	7,075.52

Total Liabilities and Equity	137,808.77	153,102.80	185,958.13
Statement of Profit or Loss	2021	2022	2023
Interest Income	9,001.88	12,304.57	17,838.07
Interest Expense	6,134.55	8,017.69	12,070.80
Net Interest Income	2,867.34	4,286.89	5,767.27
Fees and commission income	1,078.28	1,280.93	1,285.53
Fees and commission expense	84.28	78.19	97.53
Net fee and commission income	994.00	1,202.73	1,188.00
Net interest, fee and commission income	3,861.34	5,489.62	6,955.27
Net trading income	343.70	264.28	333.90
Other operating income	20.24	33.12	45.71
Total operating income	4,225.28	5,787.02	7,334.88
Impairment charge/(reversal) for loans and other losses	379.62	623.12	1,511.19
Net operating income	3,845.66	5,163.90	5,823.69
Personnel expenses	1,567.06	1,828.05	1,976.67
Other operating expenses	740.91	615.91	701.81
Depreciation and Amortization	186.30	354.46	333.65
Operating Profit	1,351.39	2,365.48	2,811.56
Non-operating income	9.78	13.82	23.46
Non-operating expense	0.64	-	-
Profit before income tax	1,360.53	2,379.29	2,835.01
Income Tax Expense	-	-	-
Current Tax	451.97	783.43	893.19
Deferred Tax	(54.92)	(42.45)	(25.68)
Profit for the period	963.48	1,638.31	1,967.51

9. Everest Bank Limited	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	9,163.41	14,024.36	15,378.25
Due from Nepal Rastra Bank	28,838.57	11,105.03	13,933.79
Placement with Bank and Financial Institutions	2,144.70	2,875.50	5,980.98
Derivative financial instruments	-	15.77	-
Other trading assets	-	-	-
Loans and advances to BFIs	7,486.02	9,573.31	8,076.88
Loans and advances to customers	127,687.22	145,480.53	159,479.29
Investment securities	31,460.03	35,674.34	40,201.73
Current tax assets	441.08	548.67	520.85
Investment in subsidiaries	-	-	-
Investment in associates	502.32	713.66	727.81
Investment property	2.20	2.20	-
Property and equipment	2,737.91	3,635.57	3,619.40

Goodwill and Intangible assets	32.84	23.08	24.95
Deferred tax assets	-	111.96	-
Other assets	1,153.94	1,597.35	2,146.56
Total Assets	211,650.25	225,381.32	250,090.49
Liabilities	190,966.64	202,586.77	224,718.82
Due to Bank and Financial Institutions	678.98	733.07	1,219.27
Due to Nepal Rastra Bank	2,112.18	2,919.26	23.77
Derivative Financial Instrument	27.93	-	47.60
Deposits from customers	160,220.26	172,739.18	198,007.81
Borrowings	-	2,556.00	2,664.22
Current Tax Liabilities	-	-	-
Provisions	-	-	-
Deferred tax liabilities	410.46	-	173.21
Other liabilities	27,047.99	22,313.62	18,979.34
Debt securities issued	468.85	1,325.63	3,603.61
Subordinated Liabilities	-	-	-
Equity	20,683.61	22,794.55	25,371.67
Share Capital	8,933.72	9,467.34	10,698.09
Share premium	238.47	238.47	238.47
Retained earnings	2,364.21	3,877.12	4,110.49
Reserves	9,147.21	9,211.63	10,324.62
Total Liabilities and Equity	211,650.25	225,381.32	250,090.49
Statement of Profit or Loss	2021	2022	2023
Interest Income	11,515.53	15,467.18	22,400.61
Interest Expense	7,559.21	10,285.76	14,988.17
Net Interest Income	3,956.32	5,181.42	7,412.44
Fees and commission income	978.90	1,294.96	1,347.52
Fees and commission expense	210.74	263.07	271.93
Net fee and commission income	768.16	1,031.88	1,075.59
Net interest, fee and commission income	4,724.48	6,213.30	8,488.03
Net trading income	367.24	299.49	182.78
Other operating income	214.28	294.29	94.19
Total operating income	5,306.00	6,807.08	8,765.01
Impairment charge/(reversal) for loans and other losses	262.37	325.45	771.36
Net operating income	5,043.64	6,481.63	7,993.65
Personnel expenses	1,611.06	2,045.47	2,129.93
Other operating expenses	724.31	592.22	736.67
Depreciation and Amortization	159.86	293.19	309.48
Operating Profit	2,548.41	3,550.75	4,817.57
Non-operating income	-	-	-
Non-operating expense	0.09	2.51	1.29
Profit before income tax	2,548.32	3,548.24	4,816.28
Income Tax Expense			-
Current Tax	790.24	1,055.44	1,447.57
Deferred Tax	(12.86)	13.40	6.59

Profit for the period	1,770.94	2,479.40	3,362.12
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10. NIC Asia Bank Limited	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	23,902.66	27,813.32	20,245.56
Due from Nepal Rastra Bank	9,072.90	12,654.49	20,443.34
Placement with Bank and Financial Institutions	-	-	-
Derivative financial instruments	5,359.38	-	2,965.53
Other trading assets	11.80	162.82	2.06
Loans and advances to BFIs	14,289.46	14,099.44	9,966.48
Loans and advances to customers	248,770.35	252,448.48	261,772.03
Investment securities	33,293.73	39,048.16	34,321.04
Current tax assets	297.11	140.56	192.11
Investment in subsidiaries	1,264.50	1,264.50	1,204.50
Investment in associates	-	-	-
Investment property	1,275.46	722.53	2,718.43
Property and equipment	3,038.16	3,093.07	5,279.76
Goodwill and Intangible assets	91.55	132.65	136.47
Deferred tax assets	-	-	-
Other assets	5,480.46	6,989.81	4,841.98
Total Assets	346,147.52	358,569.84	364,089.29
Liabilities	325,243.90	333,726.69	334,698.33
Due to Bank and Financial Institutions	13,329.47	6,754.20	3,972.66
Due to Nepal Rastra Bank	3,238.62	19,727.76	-
Derivative Financial Instrument	5,337.92	-	2,962.16
Deposits from customers	287,024.80	289,903.96	311,367.92
Borrowings	-	-	-
Current Tax Liabilities	-	-	-
Provisions	-	-	-
Deferred tax liabilities	459.54	267.77	265.50
Other liabilities	4,884.18	6,346.64	5,398.51
Debt securities issued	10,969.37	10,726.36	10,731.58
Subordinated Liabilities	-	-	-
Equity	20,903.62	24,843.15	29,390.96
Share Capital	11,564.01	11,564.01	11,564.01
Share premium	-	-	-
Retained earnings	1,599.55	3,427.07	3,534.23
Reserves	7,740.06	9,852.07	14,292.72
Total Liabilities and Equity	346,147.52	358,569.84	364,089.29
Statement of Profit or Loss	2021	2022	2023
Interest Income	23,562.13	32,771.91	38,372.72
Interest Expense	14,334.63	21,482.31	26,113.90

Net Interest Income	9,227.50	11,289.60	12,258.81
Fees and commission income	1,840.70	2,369.65	2,712.01
Fees and commission expense	216.90	347.08	389.53
Net fee and commission income	1,623.81	2,022.58	2,322.48
Net interest, fee and commission income	10,851.31	13,312.18	14,581.29
Net trading income	277.78	200.93	147.04
Other operating income	225.28	304.41	298.39
Total operating income	11,354.37	13,817.52	15,026.71
Impairment charge/(reversal) for loans and other losses	1,225.62	865.26	721.96
Net operating income	10,128.75	12,952.26	14,304.75
Personnel expenses	3,347.94	4,500.75	4,961.10
Other operating expenses	1,614.43	2,101.54	2,026.03
Depreciation and Amortization	368.15	384.72	780.82
Operating Profit	4,798.23	5,965.25	6,536.80
Non-operating income	6.15	62.03	9.46
Non-operating expense	158.22	31.07	377.89
Profit before income tax	4,646.17	5,996.20	6,168.37
Income Tax Expense	-	-	-
Current Tax	1,388.70	1,793.28	1,762.20
Deferred Tax	(1.47)	(12.00)	(38.60)
Profit for the period	3,258.93	4,214.93	4,444.77

11. Machhapuchchhre Bank Limited	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	8,679.17	11,494.02	10,632.39
Due from Nepal Rastra Bank	8,908.18	6,047.35	9,309.11
Placement with Bank and Financial Institutions	477.09	-	1,458.31
Derivative financial instruments	21.85	-	-
Other trading assets	17.41	507.98	489.50
Loans and advances to BFIs	3,714.54	2,607.54	4,464.24
Loans and advances to customers	113,572.01	128,573.15	126,137.68
Investment securities	19,603.81	24,127.40	27,418.53
Current tax assets	419.11	646.42	774.95
Investment in subsidiaries	200.00	200.00	400.00
Investment in associates	-	-	-
Investment property	273.91	244.18	609.94
Property and equipment	1,474.09	1,583.51	1,582.41
Goodwill and Intangible assets	126.03	127.06	133.50
Deferred tax assets	35.14	49.25	85.78
Other assets	691.21	2,519.43	3,077.85
Total Assets	158,213.55	178,727.31	186,574.20
Liabilities	145,349.42	164,241.54	170,422.41
Due to Bank and Financial Institutions	2,863.54	5,072.84	4,105.07
Due to Nepal Rastra Bank	4,159.29	3,612.52	13.00
Derivative Financial Instrument	-	1.78	-
Deposits from customers	131,617.96	145,026.05	154,179.63
Borrowings	1,202.31	1,286.24	3,395.00

Current Tax Liabilities	-	-	-
Provisions	-	-	-
Deferred tax liabilities	-	-	-
Other liabilities	2,358.67	3,749.35	3,235.67
Debt securities issued	3,147.64	5,492.76	5,494.04
Subordinated Liabilities	-	-	-
Equity	12,864.13	14,485.77	16,151.79
Share Capital	9,053.09	10,257.16	10,257.16
Share premium	30.88	30.88	30.88
Retained earnings	1,271.64	597.24	1,448.53
Reserves	2,508.52	3,600.49	4,415.22
Total Liabilities and Equity	158,213.55	178,727.31	186,574.20
Statement of Profit or Loss	2021	2022	2023
Interest Income	11,155.48	15,232.37	19,284.51
Interest Expense	6,803.99	10,354.33	13,912.11
Net Interest Income	4,351.49	4,878.04	5,372.40
Fees and commission income	1,142.90	1,354.17	1,396.77
Fees and commission expense	131.04	191.03	252.73
Net fee and commission income	1,011.86	1,163.14	1,144.04
Net interest, fee and commission income	5,363.35	6,041.18	6,516.44
Net trading income	258.09	216.65	280.41
Other operating income	196.39	95.05	70.07
Total operating income	5,817.83	6,352.88	6,866.92
Impairment charge/(reversal) for loans and other losses	497.80	501.23	1,148.26
Net operating income	5,320.03	5,851.65	5,718.66
Personnel expenses	1,769.51	1,923.72	2,120.53
Other operating expenses	890.79	1,096.38	801.94
Depreciation and Amortization	190.20	376.43	415.65
Operating Profit	2,469.53	2,455.11	2,380.54
Non-operating income	9.77	34.47	8.93
Non-operating expense	198.96	62.89	54.23
Profit before income tax	2,280.34	2,426.69	2,335.24
Income Tax Expense			-
Current Tax	676.12	746.99	745.23
Deferred Tax	(3.25)	(6.95)	(35.51)
Profit for the period	1,607.47	1,686.66	1,625.53

12. Kumari Bank Limited Statement of Financial Position	Amount (Rs. in Millions)		
	2021	2022	2023
Assets			
Cash and cash equivalents	7,580.24	17,609.89	19,921.48
Due from Nepal Rastra Bank	8,486.45	5,475.31	13,460.94
Placement with Bank and Financial Institutions	4,840.71	1,949.48	7,771.45
Derivative financial instruments	-	-	184.83
Other trading assets	-	-	-

Non-operating income	33.90	18.32	53.75
Non-operating expense	0.29	1.98	13.76
Profit before income tax	3,039.40	3,593.81	1,001.65
Income Tax Expense	-	-	483.72
Current Tax	929.31	1,029.42	479.50
Deferred Tax	139.36	(15.42)	4.23
Profit for the period	1,970.73	2,579.81	517.92

13. Laxmi Sunrise Bank Limited	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	10,940.57	11,194.74	18,187.74
Due from Nepal Rastra Bank	7,256.23	6,340.17	20,677.44
Placement with Bank and Financial Institutions	-	-	788.70
Derivative financial instruments	6,073.91	362.81	1,899.98
Other trading assets	-	10.09	68.19
Loans and advances to BFIs	3,272.95	5,956.15	7,687.48
Loans and advances to customers	105,213.37	126,767.90	247,870.14
Investment securities	13,004.41	16,816.56	53,360.55
Current tax assets	72.56	87.58	189.29
Investment in subsidiaries	417.00	417.00	893.17
Investment in associates	2,818.22	1,186.20	-
Investment property	105.94	70.54	1,275.16
Property and equipment	1,335.67	2,394.75	4,864.93
Goodwill and Intangible assets	76.49	76.84	523.75
Deferred tax assets	-	-	-
Other assets	1,653.54	1,702.63	3,379.27
Total Assets	152,240.86	173,383.95	361,665.77
Liabilities	135,344.10	156,442.94	323,440.84
Due to Bank and Financial Institutions	2,826.27	1,182.34	4,067.00
Due to Nepal Rastra Bank	4,364.95	2,569.07	-
Derivative Financial Instrument	6,050.42	363.51	1,896.71
Deposits from customers	114,605.49	139,537.10	296,243.48
Borrowings	3,591.57	6,433.11	5,080.62
Current Tax Liabilities	-	-	-
Provisions	-	-	-
Deferred tax liabilities	888.96	234.18	242.70
Other liabilities	1,008.23	2,107.41	7,910.33
Debt securities issued	2,008.22	4,016.22	8,000.00
Subordinated Liabilities	-	-	-
Equity	16,896.76	16,941.02	38,224.93
Share Capital	10,695.69	11,551.35	21,670.24
Share premium	-	-	-
Retained earnings	1,262.94	1,200.80	1,728.33
Reserves	4,938.13	4,188.87	14,826.36

Total Liabilities and Equity	152,240.86	173,383.95	361,665.77
Statement of Profit or Loss	2021	2022	2023
Interest Income	9,377.43	13,060.13	19,066.47
Interest Expense	5,920.59	9,299.76	13,379.78
Net Interest Income	3,456.84	3,760.37	5,686.69
Fees and commission income	979.86	1,156.58	1,214.35
Fees and commission expense	104.30	199.46	230.93
Net fee and commission income	875.56	957.11	983.42
Net interest, fee and commission income	4,332.40	4,717.48	6,670.11
Net trading income	340.54	270.71	214.11
Other operating income	500.37	338.50	504.77
Total operating income	5,173.31	5,326.69	7,389.00
Impairment charge/(reversal) for loans and other losses	492.21	554.17	1,060.70
Net operating income	4,681.10	4,772.52	6,328.30
Personnel expenses	1,573.59	1,610.73	1,884.06
Other operating expenses	682.48	677.87	821.75
Depreciation and Amortization	188.94	329.80	346.45
Operating Profit	2,236.09	2,154.12	3,276.04
Non-operating income	4.45	10.46	8.37
Non-operating expense	11.45	36.90	240.38
Profit before income tax	2,229.09	2,127.67	3,044.03
Income Tax Expense			
Current Tax	674.67	674.31	921.72
Deferred Tax	(21.34)	(60.09)	(162.92)
Profit for the period	1,575.76	1,513.45	2,285.24

14. Siddhartha Bank Limited	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	5,976.06	7,928.99	11,554.08
Due from Nepal Rastra Bank	7,740.64	5,730.45	9,000.71
Placement with Bank and Financial Institutions	3,308.71	320.31	5,011.35
Derivative financial instruments	52.42	19.69	17.32
Other trading assets	-	-	-
Loans and advances to BFIs	6,027.86	6,403.39	5,170.77
Loans and advances to customers	158,579.24	178,587.36	184,009.57
Investment securities	41,825.29	57,368.16	62,480.48
Current tax assets	127.22	221.07	263.76
Investment in subsidiaries	51.00	51.00	51.00
Investment in associates	-	-	-
Investment property	291.04	213.31	654.54
Property and equipment	1,451.93	3,077.07	3,548.09
Goodwill and Intangible assets	81.50	71.49	166.00
Deferred tax assets	-	-	-
Other assets	3,429.05	4,334.73	4,050.24

Total Assets	228,941.96	264,327.02	285,977.92
Liabilities	208,540.15	242,729.15	260,671.32
Due to Bank and Financial Institutions	7,717.01	7,234.64	11,613.66
Due to Nepal Rastra Bank	5,859.91	24,965.10	288.45
Derivative Financial Instrument	-	19.36	23.89
Deposits from customers	180,924.01	191,550.64	223,654.67
Borrowings	-	1,022.80	7,312.48
Current Tax Liabilities	-	-	-
Provisions	-	-	-
Deferred tax liabilities	966.72	239.22	501.93
Other liabilities	4,909.95	6,034.82	5,613.69
Debt securities issued	8,162.56	11,662.56	11,662.56
Subordinated Liabilities	-	-	-
Equity	20,401.81	21,597.87	25,306.59
Share Capital	10,962.30	12,524.43	14,089.98
Share premium	-	-	-
Retained earnings	1,808.63	1,359.87	663.61
Reserves	7,630.88	7,713.58	10,553.00
Total Liabilities and Equity	228,941.96	264,327.02	285,977.92
Statement of Profit or Loss	2021	2022	2023
Interest Income	14,949.21	20,677.56	27,670.97
Interest Expense	9,439.00	14,080.72	19,486.42
Net Interest Income	5,510.21	6,596.85	8,184.54
Fees and commission income	1,337.10	1,505.59	1,693.08
Fees and commission expense	204.49	285.89	347.46
Net fee and commission income	1,132.61	1,219.70	1,345.62
Net interest, fee and commission income	6,642.81	7,816.55	9,530.16
Net trading income	777.64	442.93	191.74
Other operating income	1,042.36	532.49	336.33
Total operating income	8,462.82	8,791.97	10,058.23
Impairment charge/(reversal) for loans and other losses	793.07	607.47	1,187.56
Net operating income	7,669.75	8,184.50	8,870.67
Personnel expenses	2,368.24	2,685.02	2,852.24
Other operating expenses	932.14	827.86	917.44
Depreciation and Amortization	202.64	405.07	448.01
Operating Profit	4,166.73	4,266.55	4,652.98
Non-operating income	0.54	8.61	13.47
Non-operating expense	0.02	16.69	101.19
Profit before income tax	4,167.24	4,258.47	4,565.26
Income Tax Expense			-
Current Tax	1,327.72	1,396.82	1,412.44
Deferred Tax	(15.30)	(40.81)	(13.95)
Profit for the period	2,854.83	2,902.46	3,166.77

15. Global IME Bank Limited	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	15,593.94	18,221.95	28,531.85
Due from Nepal Rastra Bank	25,336.11	11,930.87	18,649.05
Placement with Bank and Financial Institutions	-	-	668.73
Derivative financial instruments	5,663.65	1,265.94	996.24
Other trading assets	-	-	-
Loans and advances to BFIs	10,367.18	10,751.32	13,660.22
Loans and advances to customers	228,651.43	258,087.53	354,466.75
Investment securities	48,901.73	46,513.51	87,591.67
Current tax assets	2,232.79	2,238.65	3,379.90
Investment in subsidiaries	370.70	370.70	650.70
Investment in associates	644.19	652.92	1,840.16
Investment property	354.65	559.45	1,733.32
Property and equipment	3,252.01	5,884.77	7,740.93
Goodwill and Intangible assets	239.74	495.78	905.68
Deferred tax assets	279.39	180.13	16.63
Other assets	3,535.75	3,383.71	6,050.71
Total Assets	345,423.26	360,537.22	526,882.56
Liabilities	312,702.84	322,797.76	467,828.85
Due to Bank and Financial Institutions	14,914.79	9,594.87	13,023.62
Due to Nepal Rastra Bank	10,894.00	14,438.91	470.72
Derivative Financial Instrument	5,440.37	1,271.01	946.95
Deposits from customers	268,433.79	276,964.91	426,325.45
Borrowings	2,371.77	5,747.23	3,282.55
Current Tax Liabilities	1,845.21	2,203.84	2,788.10
Provisions	-	-	-
Deferred tax liabilities	-	-	-
Other liabilities	4,310.91	8,084.12	8,809.88
Debt securities issued	4,492.00	4,492.87	12,181.59
Subordinated Liabilities	-	-	-
Equity	32,720.42	37,739.46	59,053.71
Share Capital	21,632.50	23,795.75	35,771.06
Share premium	-	-	-
Retained earnings	2,990.20	3,239.23	3,243.36
Reserves	8,097.71	10,704.48	20,039.29
Total Liabilities and Equity	345,423.26	360,537.22	526,882.56
Statement of Profit or Loss	2021	2022	2023
Interest Income	21,693.58	29,058.37	48,210.08
Interest Expense	12,554.46	18,768.81	31,103.09
Net Interest Income	9,139.13	10,289.56	17,106.99

Fees and commission income	1,914.29	2,217.83	2,744.14
Fees and commission expense	380.25	535.52	683.57
Net fee and commission income	1,534.04	1,682.31	2,060.57
Net interest, fee and commission income	10,673.16	11,971.87	19,167.56
Net trading income	666.46	594.21	474.60
Other operating income	611.28	472.85	215.03
Total operating income	11,950.90	13,038.92	19,857.19
Impairment charge/(reversal) for loans and other losses	1,125.26	466.43	3,426.14
Net operating income	10,825.64	12,572.49	16,431.05
Personnel expenses	3,164.82	3,290.73	4,234.42
Other operating expenses	1,369.43	1,446.86	1,875.36
Depreciation and Amortization	333.86	647.13	790.77
Operating Profit	5,957.53	7,187.77	9,530.50
Non-operating income	10.55	3.27	8.53
Non-operating expense	-	164.46	273.50
Profit before income tax	5,968.08	7,026.58	9,265.52
Income Tax Expense			-
Current Tax	1,844.54	2,165.53	2,788.10
Deferred Tax	(41.62)	(98.17)	(216.94)
Profit for the period	4,165.15	4,959.22	6,694.36

16. Citizens Bank International Limited	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	11,563.04	17,892.74	9,764.25
Due from Nepal Rastra Bank	3,796.49	4,266.51	6,703.01
Placement with Bank and Financial Institutions	2,874.87	1,233.63	2,236.41
Derivative financial instruments	47.01	2.66	17.05
Other trading assets	596.89	327.34	318.87
Loans and advances to BFIs	3,247.17	3,299.92	2,510.67
Loans and advances to customers	118,912.04	131,344.33	139,832.01
Investment securities	22,017.42	28,153.43	28,685.57
Current tax assets	288.46	348.14	283.95
Investment in subsidiaries	167.20	167.20	317.20
Investment in associates	16.00	375.65	330.01
Investment property	141.15	208.65	256.13
Property and equipment	2,880.20	3,704.21	3,757.65
Goodwill and Intangible assets	83.56	196.84	179.52
Deferred tax assets	-	-	62.80
Other assets	1,697.54	2,891.41	3,677.52
Total Assets	168,329.05	194,412.65	198,932.61
Liabilities	149,441.03	174,003.36	177,969.09
Due to Bank and Financial Institutions	2,765.00	4,063.05	3,714.71
Due to Nepal Rastra Bank	1,205.56	11,070.25	-
Derivative Financial Instrument	-	-	-
Deposits from customers	140,638.41	152,801.49	168,842.14

Borrowings	-	-	-
Current Tax Liabilities	-	-	-
Provisions	5.31	5.31	5.31
Deferred tax liabilities	217.49	63.31	-
Other liabilities	2,133.18	3,522.07	2,927.09
Debt securities issued	2,476.08	2,477.88	2,479.85
Subordinated Liabilities	-	-	-
Equity	18,888.02	20,409.29	20,963.52
Share Capital	12,576.92	14,200.97	14,200.97
Share premium	-	-	-
Retained earnings	1,422.78	1,329.46	846.99
Reserves	4,888.32	4,878.85	5,915.56
Total Liabilities and Equity	168,329.05	194,412.65	198,932.61
Statement of Profit or Loss	2021	2022	2023
Interest Income	10,839.53	15,967.65	20,660.83
Interest Expense	7,189.14	10,974.16	14,832.33
Net Interest Income	3,650.40	4,993.49	5,828.50
Fees and commission income	825.37	998.10	1,013.99
Fees and commission expense	73.36	129.04	137.21
Net fee and commission income	752.01	869.07	876.78
Net interest, fee and commission income	4,402.41	5,862.56	6,705.28
Net trading income	418.47	224.28	182.20
Other operating income	153.11	177.23	23.58
Total operating income	4,973.98	6,264.06	6,911.06
Impairment charge/(reversal) for loans and other losses	394.04	552.42	1,216.48
Net operating income	4,579.94	5,711.64	5,694.58
Personnel expenses	1,229.75	1,785.43	1,889.90
Other operating expenses	650.05	803.85	901.91
Depreciation and Amortization	244.88	413.10	327.43
Operating Profit	2,455.27	2,709.25	2,575.34
Non-operating income	130.44	123.34	20.68
Non-operating expense	-	-	79.57
Profit before income tax	2,585.70	2,832.60	2,516.45
Income Tax Expense			-
Current Tax	780.30	890.24	765.41
Deferred Tax	1.06	(63.25)	(112.71)
Profit for the period	1,804.34	2,005.61	1,863.76

17. Prime Commercial Bank Limited Statement of Financial Position	Amount (Rs. in Millions)		
	2021	2022	2023
Assets			
Cash and cash equivalents	7,864.97	11,620.91	14,305.37
Due from Nepal Rastra Bank	10,497.99	8,860.33	12,049.74
Placement with Bank and Financial Institutions	4,766.88	144.90	-
Derivative financial instruments	-	-	-

Other operating expenses	612.31	471.91	527.88
Depreciation and Amortization	184.38	329.68	322.11
Operating Profit	4,685.33	3,951.43	2,053.63
Non-operating income	-	-	-
Non-operating expense	-	-	72.08
Profit before income tax	4,685.33	3,951.43	1,981.55
Income Tax Expense	-	-	-
Current Tax	1,502.61	1,260.32	1,125.66
Deferred Tax	(85.67)	(96.22)	(172.01)
Profit for the period	3,268.40	2,787.34	1,027.90

18. NMB Bank Limited Statement of Financial Position	Amount (Rs. in Millions)		
	2021	2022	2023
Assets			
Cash and cash equivalents	13,887.37	12,787.64	23,958.28
Due from Nepal Rastra Bank	19,218.51	13,747.31	15,059.50
Placement with Bank and Financial Institutions	2,717.15	3,782.29	755.85
Derivative financial instruments	17,161.39	5,293.77	10,850.08
Other trading assets	2.66	-	24.75
Loans and advances to BFIs	5,194.47	5,920.09	7,116.53
Loans and advances to customers	151,014.12	174,948.36	189,035.40
Investment securities	17,453.56	31,724.85	32,374.91
Current tax assets	92.75	55.33	44.95
Investment in subsidiaries	372.49	372.49	772.49
Investment in associates	-	-	-
Investment property	97.94	295.16	697.71
Property and equipment	1,741.91	1,764.13	1,752.80
Goodwill and Intangible assets	112.54	226.51	178.69
Deferred tax assets	249.01	338.96	448.41
Other assets	2,230.98	3,893.71	4,706.80
Total Assets	231,546.86	255,150.61	287,777.14
Liabilities	207,603.08	228,279.65	259,342.72
Due to Bank and Financial Institutions	1,964.52	2,082.44	2,737.26
Due to Nepal Rastra Bank	7,597.98	8,996.37	3,285.99
Derivative Financial Instrument	17,127.04	5,351.10	11,060.34
Deposits from customers	164,489.29	184,817.11	210,304.69
Borrowings	7,443.81	12,997.40	14,814.90
Current Tax Liabilities	-	-	-
Provisions	-	-	-
Deferred tax liabilities	-	-	-
Other liabilities	3,686.46	5,907.39	5,227.60
Debt securities issued	5,293.99	8,127.85	11,911.94
Subordinated Liabilities	-	-	-
Equity	23,943.77	26,870.96	28,434.42
Share Capital	16,325.96	18,366.71	18,366.71
Share premium	-	-	-

Retained earnings	2,515.34	1,550.78	1,140.83
Reserves	5,102.47	6,953.47	8,926.89
Total Liabilities and Equity	231,546.86	255,150.61	287,777.14
Statement of Profit or Loss	2021	2022	2023
Interest Income	13,983.69	19,168.86	26,622.46
Interest Expense	8,323.03	12,781.32	18,280.00
Net Interest Income	5,660.66	6,387.54	8,342.46
Fees and commission income	1,177.64	1,689.47	1,833.47
Fees and commission expense	138.02	216.24	286.61
Net fee and commission income	1,039.62	1,473.23	1,546.86
Net interest, fee and commission income	6,700.28	7,860.77	9,889.32
Net trading income	364.11	272.41	236.29
Other operating income	351.97	406.77	204.15
Total operating income	7,416.36	8,539.94	10,329.75
Impairment charge/(reversal) for loans and other losses	382.41	(37.23)	1,453.82
Net operating income	7,033.95	8,577.17	8,875.93
Personnel expenses	2,089.70	2,539.35	2,689.18
Other operating expenses	853.75	1,087.92	1,192.03
Depreciation and Amortization	269.48	290.52	319.40
Operating Profit	3,821.02	4,659.39	4,675.32
Non-operating income	39.07	2.66	9.99
Non-operating expense	15.21	46.76	76.15
Profit before income tax	3,844.88	4,615.29	4,609.16
Income Tax Expense			-
Current Tax	1,185.62	1,435.20	1,434.85
Deferred Tax	(51.82)	(111.01)	(48.24)
Profit for the period	2,711.07	3,291.09	3,222.55

19. Prabhu Bank Limited	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	8,371.90	7,664.02	10,033.58
Due from Nepal Rastra Bank	16,537.18	13,514.39	10,670.24
Placement with Bank and Financial Institutions	595.75	12.80	-
Derivative financial instruments	6,116.14	1,523.80	2,304.45
Other trading assets	237.86	124.28	193.25
Loans and advances to BFIs	7,362.45	6,411.86	6,975.49
Loans and advances to customers	135,117.77	145,381.57	234,154.90
Investment securities	33,356.50	49,700.75	69,573.75
Current tax assets	159.31	109.06	130.01
Investment in subsidiaries	524.23	524.23	795.73
Investment in associates	-	-	27.50
Investment property	349.03	458.75	445.35
Property and equipment	2,305.37	3,545.39	4,875.63
Goodwill and Intangible assets	143.71	115.16	357.56

Deferred tax assets	427.34	458.99	824.25
Other assets	3,908.98	3,207.95	6,614.70
Total Assets	215,513.53	232,753.00	347,976.38
Liabilities	198,402.26	213,605.25	316,624.19
Due to Bank and Financial Institutions	5,591.19	4,308.72	8,003.04
Due to Nepal Rastra Bank	11,261.51	16,083.28	159.74
Derivative Financial Instrument	6,082.41	1,516.66	2,308.72
Deposits from customers	164,850.50	178,652.18	289,090.93
Borrowings	-	-	657.50
Current Tax Liabilities	-	-	-
Provisions	23.32	23.32	97.68
Deferred tax liabilities	-	-	-
Other liabilities	4,956.25	7,383.32	8,467.63
Debt securities issued	5,637.07	5,637.77	7,838.95
Subordinated Liabilities	-	-	-
Equity	17,111.27	19,147.75	31,352.20
Share Capital	11,347.06	12,708.70	23,542.49
Share premium	-	-	-
Retained earnings	1,599.39	1,032.97	(2,236.38)
Reserves	4,164.83	5,406.07	10,046.08
Total Liabilities and Equity	215,513.53	232,753.00	347,976.38
Statement of Profit or Loss	2021	2022	2023
Interest Income	12,899.28	17,030.03	29,892.78
Interest Expense	7,875.97	11,287.22	19,826.34
Net Interest Income	5,023.30	5,742.81	10,066.44
Fees and commission income	1,140.53	1,376.88	1,678.82
Fees and commission expense	120.30	83.64	86.23
Net fee and commission income	1,020.24	1,293.25	1,592.59
Net interest, fee and commission income	6,043.54	7,036.06	11,659.04
Net trading income	507.23	249.47	281.31
Other operating income	163.30	243.19	216.63
Total operating income	6,714.07	7,528.72	12,156.97
Impairment charge/(reversal) for loans and other losses	115.97	430.58	5,210.17
Net operating income	6,598.10	7,098.14	6,946.80
Personnel expenses	2,509.06	2,702.89	3,287.89
Other operating expenses	1,185.56	1,033.48	1,483.90
Depreciation and Amortization	300.21	509.54	623.17
Operating Profit	2,603.28	2,852.23	1,551.85
Non-operating income	47.09	14.37	23.17
Non-operating expense	194.36	120.22	157.09
Profit before income tax	2,456.01	2,746.38	1,417.92
Income Tax Expense	-	-	-
Current Tax	895.32	1,013.37	1,349.11
Deferred Tax	(160.19)	(169.01)	(211.41)
Profit for the period	1,720.87	1,902.02	280.22

20. Sanima Bank Limited	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	4,771.14	5,224.72	5,290.59
Due from Nepal Rastra Bank	6,053.73	13,516.14	10,368.10
Placement with Bank and Financial Institutions	1,740.71	371.16	1,056.57
Derivative financial instruments	16.02	-	-
Other trading assets	224.41	500.75	414.84
Loans and advances to BFIs	4,094.02	5,167.87	4,445.16
Loans and advances to customers	119,071.40	136,518.04	145,424.94
Investment securities	20,922.51	26,468.40	41,980.22
Current tax assets	-	-	54.54
Investment in subsidiaries	250.00	250.00	450.00
Investment in associates	-	-	-
Investment property	-	72.93	190.17
Property and equipment	1,196.39	1,344.61	1,368.38
Goodwill and Intangible assets	48.08	88.27	96.08
Deferred tax assets	-	138.05	169.78
Other assets	2,362.18	2,850.17	4,333.62
Total Assets	160,750.58	192,511.09	215,642.99
Liabilities	145,827.17	175,599.92	196,263.56
Due to Bank and Financial Institutions	4,920.87	2,614.42	5,091.31
Due to Nepal Rastra Bank	3,651.30	4,096.65	72.09
Derivative Financial Instrument	-	52.39	6.05
Deposits from customers	128,425.87	157,518.54	175,745.25
Borrowings	1,787.25	1,279.00	2,629.00
Current Tax Liabilities	62.45	35.22	-
Provisions	31.37	44.77	34.26
Deferred tax liabilities	42.07	-	-
Other liabilities	2,134.26	3,146.61	3,311.94
Debt securities issued	4,771.72	6,812.32	9,373.67
Subordinated Liabilities	-	-	-
Equity	14,923.41	16,911.17	19,379.43
Share Capital	9,681.52	11,327.38	12,460.12
Share premium	-	-	-
Retained earnings	1,737.20	1,244.46	2,215.04
Reserves	3,504.69	4,339.34	4,704.28
Total Liabilities and Equity	160,750.58	192,511.09	215,642.99
Statement of Profit or Loss	2021	2022	2023
Interest Income	10,762.83	14,850.22	21,607.17
Interest Expense	6,237.84	10,198.45	15,128.55
Net Interest Income	4,524.99	4,651.76	6,478.62
Fees and commission income	875.12	995.91	1,039.86
Fees and commission expense	60.96	148.36	242.16

Net fee and commission income	814.16	847.55	797.70
Net interest, fee and commission income	5,339.15	5,499.31	7,276.32
Net trading income	426.74	377.68	217.27
Other operating income	51.67	152.71	158.21
Total operating income	5,817.55	6,029.70	7,651.80
Impairment charge/(reversal) for loans and other losses	248.28	554.39	1,053.11
Net operating income	5,569.27	5,475.31	6,598.70
Personnel expenses	1,439.20	1,549.41	1,761.95
Other operating expenses	656.14	625.43	704.68
Depreciation and Amortization	162.98	345.91	361.74
Operating Profit	3,310.96	2,954.56	3,770.33
Non-operating income	1.32	6.29	14.22
Non-operating expense	3.04	12.04	54.99
Profit before income tax	3,309.23	2,948.81	3,729.56
Income Tax Expense	-	-	-
Current Tax	978.18	1,011.15	1,144.13
Deferred Tax	13.23	(155.46)	(20.36)
Profit for the period	2,317.82	2,093.12	2,605.79

Annex 9: Consolidated Audited Financials of Commercial Banks as on Mid-July

1. Consolidated Financials of the State-owned Banks	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	32,900.28	20,831.60	27,908.42
Due from Nepal Rastra Bank	36,672.98	29,473.52	49,520.43
Placement with Bank and Financial Institutions	8,437.00	618.93	582.51
Derivative financial instruments	8,588.97	595.79	28.91
Other trading assets	1,767.74	1,152.77	1,058.69
Loans and advances to BFIs	22,086.33	26,817.09	25,267.23
Loans and advances to customers	463,889.80	554,979.24	582,169.12
Investment securities	138,950.60	154,086.14	190,447.82
Current tax assets	6,198.68	6,553.20	6,296.29
Investment in subsidiaries	228.84	228.84	428.84
Investment in associates	275.50	275.50	3,546.40
Investment property	433.89	538.40	643.74
Property and equipment	15,564.98	18,635.72	46,016.78
Goodwill and Intangible assets	365.71	317.61	220.89
Deferred tax assets	-	52.15	-
Other assets	18,711.98	21,348.42	22,292.23
Total Assets	755,073.28	836,504.92	956,428.31
Liabilities	661,678.72	735,005.34	835,373.67
Due to Bank and Financial Institutions	3,353.69	13,838.26	4,701.05
Due to Nepal Rastra Bank	18,573.08	39,731.31	74.57
Derivative Financial Instrument	8,474.69	508.07	8.54
Deposits from customers	589,465.08	620,810.71	765,655.55
Borrowings	598.53	9,141.39	2,458.86
Current Tax Liabilities	-	-	-
Provisions	517.16	441.68	570.39
Deferred tax liabilities	5,610.56	4,589.16	12,021.94
Other liabilities	14,598.33	19,374.78	23,414.30
Debt securities issued	20,487.60	26,569.97	26,468.46
Subordinated Liabilities	-	-	-
Equity	93,394.56	101,499.59	121,054.63
Share Capital	33,811.58	47,966.89	49,215.79
Share premium	5,864.60	-	-
Retained earnings	10,840.69	8,807.43	2,161.97
Reserves	42,877.70	44,725.26	69,676.88
Total Liabilities and Equity	755,073.28	836,504.92	956,428.31
Statement of Profit or Loss	2021	2022	2023
Interest Income	43,240.32	56,712.29	79,379.20
Interest Expense	21,744.71	32,345.82	49,960.36
Net Interest Income	21,495.61	24,366.47	29,418.84
Fees and commission income	3,544.73	3,452.64	3,482.96

Fees and commission expense	372.47	487.34	829.18
Net fee and commission income	3,172.26	2,965.30	2,653.77
Net interest, fee and commission income	24,667.86	27,331.78	32,072.61
Net trading income	1,612.43	457.87	191.31
Other operating income	1,511.13	1,498.92	1,231.53
Total operating income	27,791.42	28,823.64	33,495.46
Impairment charge/(reversal) for loans and other losses	1,342.43	2,202.14	5,180.13
Net operating income	26,449.00	26,621.50	28,315.33
Personnel expenses	8,696.63	9,475.95	11,473.51
Other operating expenses	3,179.85	2,715.14	3,078.18
Depreciation and Amortization	690.55	1,371.15	1,427.54
Operating Profit	13,881.97	13,059.27	12,336.10
Non-operating income	644.04	737.29	294.02
Non-operating expense	3.21	172.33	26.37
Profit before income tax	14,522.79	13,624.23	12,603.75
Income Tax Expense	-	-	1,791.47
Current Tax	3,210.15	4,167.75	3,804.71
Deferred Tax	1,400.25	14.62	442.92
Profit for the period	9,912.40	9,441.87	8,356.12

2. Consolidated Financials of the Non State-owned Banks	Amount (Rs. in Millions)		
	2021	2022	2023
Statement of Financial Position			
Assets			
Cash and cash equivalents	234,812.28	283,865.95	261,564.10
Due from Nepal Rastra Bank	225,470.84	179,649.93	239,185.74
Placement with Bank and Financial Institutions	59,029.71	36,741.03	71,981.54
Derivative financial instruments	58,418.82	10,007.08	23,165.93
Other trading assets	1,372.37	1,827.16	1,587.39
Loans and advances to BFIs	129,520.13	142,631.56	136,409.73
Loans and advances to customers	3,072,155.43	3,429,019.30	3,521,720.96
Investment securities	572,366.52	717,698.16	783,019.82
Current tax assets	7,592.20	8,693.17	9,916.55
Investment in subsidiaries	5,728.38	5,928.38	10,153.24
Investment in associates	4,576.68	3,562.03	4,568.61
Investment property	6,339.60	8,136.70	14,838.22
Property and equipment	40,153.77	57,312.10	62,068.89
Goodwill and Intangible assets	2,098.11	3,026.80	5,671.84
Deferred tax assets	1,482.80	1,905.32	3,245.53
Other assets	46,879.02	65,067.33	74,981.96
Total Assets	4,467,996.64	4,955,072.00	5,224,080.05
Liabilities	4,004,675.11	4,444,245.00	4,683,409.54
Due to Bank and Financial Institutions	140,064.61	100,989.21	97,570.38
Due to Nepal Rastra Bank	102,608.92	188,358.67	6,701.97
Derivative Financial Instrument	58,133.67	10,156.63	23,333.09
Deposits from customers	3,496,729.98	3,841,149.06	4,238,765.32
Borrowings	25,973.29	66,858.72	63,563.79
Current Tax Liabilities	1,907.67	2,239.06	3,270.45

Provisions	238.10	175.93	140.25
Deferred tax liabilities	7,413.52	4,398.40	3,102.18
Other liabilities	92,830.56	125,286.00	117,555.48
Debt securities issued	78,774.81	104,633.31	129,406.62
Subordinated Liabilities	-	-	-
Equity	463,321.52	510,827.00	540,670.51
Share Capital	282,384.79	309,128.56	320,641.54
Share premium	828.19	566.18	269.35
Retained earnings	41,222.79	38,552.00	14,078.99
Reserves	138,885.77	162,580.27	205,680.63
Total Liabilities and Equity	4,467,996.64	4,955,072.00	5,224,080.05
Statement of Profit or Loss			
	2021	2022	2023
Interest Income	284,153.81	382,035.47	472,114.19
Interest Expense	172,695.78	253,507.69	315,469.35
Net Interest Income	111,458.03	128,527.79	156,644.84
Fees and commission income	25,184.84	28,626.09	29,323.63
Fees and commission expense	2,796.74	4,452.80	4,953.25
Net fee and commission income	22,388.11	24,173.29	24,370.38
Net interest, fee and commission income	133,846.13	152,701.07	181,015.21
Net trading income	10,245.23	7,668.79	5,213.97
Other operating income	10,337.84	5,531.95	3,472.22
Total operating income	154,429.20	165,901.81	189,701.40
Impairment charge/(reversal) for loans and other losses	10,844.21	10,519.37	45,076.48
Net operating income	143,585.00	155,382.44	144,624.92
Personnel expenses	43,653.28	47,435.13	44,767.72
Other operating expenses	19,292.00	18,550.14	18,072.17
Depreciation and Amortization	4,805.77	8,239.61	7,987.91
Operating Profit	75,833.95	81,157.55	73,797.12
Non-operating income	585.03	1,515.60	254.27
Non-operating expense	1,016.73	1,760.18	4,167.80
Profit before income tax	75,402.25	80,912.98	69,883.59
Income Tax Expense	-	-	483.72
Current Tax	23,736.21	25,188.45	24,343.06
Deferred Tax	(979.45)	(1,079.26)	(2,677.81)
Profit for the period	52,645.49	56,803.78	48,218.34

3. Consolidated Financials of Commercial Banks	Amount (Rs. in Millions)		
Statement of Financial Position	2021	2022	2023
Assets			
Cash and cash equivalents	267,712.56	304,697.55	289,472.52
Due from Nepal Rastra Bank	262,143.82	209,123.45	288,706.17
Placement with Bank and Financial Institutions	67,466.71	37,359.96	72,564.05
Derivative financial instruments	67,007.79	10,602.87	23,194.84

Other trading assets	3,140.11	2,979.93	2,646.09
Loans and advances to BFIs	151,606.46	169,448.64	161,676.96
Loans and advances to customers	3,536,045.23	3,983,998.53	4,103,890.08
Investment securities	711,317.12	871,784.30	973,467.64
Current tax assets	13,790.88	15,246.37	16,212.83
Investment in subsidiaries	5,957.22	6,157.22	10,582.08
Investment in associates	4,852.18	3,837.53	8,115.01
Investment property	6,773.49	8,675.10	15,481.96
Property and equipment	55,718.75	75,947.82	108,085.67
Goodwill and Intangible assets	2,463.82	3,344.41	5,892.73
Deferred tax assets	1,482.80	1,957.48	3,245.53
Other assets	65,591.00	86,415.75	97,274.19
Total Assets	5,223,069.92	5,791,576.93	6,180,508.36
Liabilities	4,666,353.83	5,179,250.34	5,518,783.21
Due to Bank and Financial Institutions	143,418.30	114,827.47	102,271.43
Due to Nepal Rastra Bank	121,182.00	228,089.99	6,776.54
Derivative Financial Instrument	66,608.36	10,664.70	23,341.64
Deposits from customers	4,086,195.06	4,461,959.77	5,004,420.87
Borrowings	26,571.82	76,000.10	66,022.65
Current Tax Liabilities	1,907.67	2,239.06	3,270.45
Provisions	755.26	617.61	710.64
Deferred tax liabilities	13,024.08	8,987.56	15,124.12
Other liabilities	107,428.89	144,660.78	140,969.78
Debt securities issued	99,262.40	131,203.29	155,875.08
Subordinated Liabilities	-	-	-
Equity	556,716.09	612,326.59	661,725.14
Share Capital	316,196.37	357,095.45	369,857.33
Share premium	6,692.78	566.18	269.35
Retained earnings	52,063.47	47,359.43	16,240.95
Reserves	181,763.47	207,305.53	275,357.51
Total Liabilities and Equity	5,223,069.92	5,791,576.93	6,180,508.36
Statement of Profit or Loss	2021	2022	2023
Interest Income	327,394.13	438,747.76	551,493.39
Interest Expense	194,440.50	285,853.50	365,429.72
Net Interest Income	132,953.64	152,894.26	186,063.67
Fees and commission income	28,729.57	32,078.73	32,806.58
Fees and commission expense	3,169.21	4,940.14	5,782.43
Net fee and commission income	25,560.36	27,138.59	27,024.15
Net interest, fee and commission income	158,514.00	180,032.85	213,087.82
Net trading income	11,857.66	8,126.66	5,405.28
Other operating income	11,848.97	7,030.86	4,703.75

Total operating income	182,220.63	194,725.45	223,196.86
Impairment charge/(reversal) for loans and other losses	12,186.63	12,721.51	50,256.62
Net operating income	170,033.99	182,003.94	172,940.24
Personnel expenses	52,349.91	56,911.08	56,241.23
Other operating expenses	22,471.85	21,265.27	21,150.35
Depreciation and Amortization	5,496.32	9,610.76	9,415.45
Operating Profit	89,715.92	94,216.82	86,133.21
Non-operating income	1,229.07	2,252.89	548.29
Non-operating expense	1,019.94	1,932.51	4,194.17
Profit before income tax	89,925.04	94,537.21	82,487.34
Income Tax Expense	-	-	2,275.20
Current Tax	26,946.36	29,356.20	28,147.77
Deferred Tax	420.80	(1,064.64)	(2,234.89)
Profit for the period	62,557.88	66,245.65	56,574.46

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