

## 12 commercial banks each earned net profits of over Rs 1b in Q3

	Net profits* (3 <sup>rd</sup> quarter of FY2017/18)
Nepal Investment Bank Ltd	Rs 2.84 billion
Nepal Bank Ltd	Rs 2.57 billion
Everest Bank Ltd	Rs 1.8 billion
Himalayan Bank Ltd	Rs 1.61 billion
Standard Chartered Bank Nepal Ltd	Rs 1.51 billion

*\* Unaudited financial results compiled by Nepal Bankers Association*

A dozen commercial banks earned net profit of more than a billion rupees over the third quarter of the current fiscal year.

The unaudited financial results published by 18 out of 28 commercial banks in the country show that most of them registered growth in their net profit in the review period of FY2017/18 compared to the corresponding period last year.

The financial results compiled by Nepal Bankers Association (NBA) show that combined net profit of these 18 commercial banks jumped by 17.07 percent to Rs 24.07 billion over the third quarter of the current fiscal year from a total of Rs 20.56 billion in the same period of the last fiscal year.

Almost all the commercial banks registered growth in profit. Nepal Investment Bank Ltd topped the list in terms of profit, earning net profit of Rs 2.84 billion. Nabil Bank Ltd was in the second position with net profit of Rs 2.57 billion.

Similarly, Everest Bank Ltd, Himalayan Bank Ltd, Standard Chartered Bank Nepal Ltd, Global IME Bank Ltd, NMB Bank Ltd and Nepal SBI Bank Ltd posted impressive profit growth in the review

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period. Prime Commercial Bank Ltd, Siddhartha Bank Ltd, Sanima Bank Ltd and Citizens Bank International Ltd are other commercial banks who entered into the 'billion club' in the third quarter for the first time by earning net profit over Rs 1 billion.

However, profit growth rate of commercial banks has remained low compared to the annual profit growth of the banking industry. The net profit of all 28 commercial banks had jumped by a whopping 26.34 percent, or Rs 9.42 billion, in the last fiscal year 2016/17 to a total of Rs 45.18 billion compared to FY2015/16.

The sluggish profit growth in the third quarter is attributed to drop in interest income of the banks amid lending slowdown due to shortage of funds. The data shows that the net interest income of these 18 commercial banks grew by 21.76 percent over the third quarter of the current fiscal year from net interest income of Rs 35.44 billion in the corresponding period of the last fiscal year. The average annual net interest income growth was at 24 percent in the last fiscal year.

As banks have been offering higher interest rates to attract fresh deposits in the wake of credit crunch, their interest expenses is expected to increase significantly in the current fiscal year. On the other hand, the growth of credit, which draws interest income for banks, has slowed down as most of them reached a saturation level of prudential lending limit.

During the review period, many banks have even halted their lending amid pressure on credit to core-capital-cum-deposit (CCD) ratio.

Banks are not allowed to lend more than 80 percent of their core capital cum deposit. The net interest income accounts for nearly 80 percent of the banks' earnings.

Source : My Republica, 27<sup>th</sup> April 2018