

Sanima Bank Limited

Rating

Facility/Instrument	Amount (Rs. In Million)	Rating ¹	Rating Action
Issuer Rating	NA	[CARE-NP] A- (Is) [Single A Minus (Issuer)]	Assigned

CARE Ratings Nepal Limited (CRNL) assigned the issuer rating of “CARE-NP A- (Is) [Single A Minus (Issuer)] “ to Sanima Bank Limited (SANIMA). Issuers with this rating are considered to offer adequate degree of safety regarding timely servicing of financial obligations, in Nepal. Such issuers carry low credit risk.

Detailed Rationale & Key Rating Drivers

The issuer rating assigned to SANIMA derives strength from the bank’s established operating track record, experienced promoter group and management team, steady growth in advances and deposits, and adequate capitalization and liquidity profile. The Bank has demonstrated consistent balance sheet expansion supported by stable deposit mobilization and a diversified nationwide branch network, while maintaining capital adequacy levels above the regulatory requirements prescribed by Nepal Rastra Bank. Earnings generation has remained adequate and resilient, supported by stable net interest income and improving operational efficiency, despite moderation in margins and higher credit costs in recent periods. The bank also maintains comfortable liquidity buffers and prudent asset–liability management, which support its funding stability. However, the rating is constrained by the recent weakening in asset quality indicators, including rising non-performing loans and increasing restructured accounts, although these metrics remain better than the industry average and are supported by adequate provisioning coverage. Overall, the rating reflects the bank’s balanced growth profile and sound financial fundamentals, continued focus on asset quality management, despite industry headwinds, and sustained earnings strength to support future credit stability.

Going forward, the ability of the bank to improve its asset quality while managing growth in operations, maintain adequate cushion in capital adequacy indicators from the minimum regulatory requirement levels, and manage the impact of any other regulatory changes by Nepal Rastra Bank would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Adequate track record, experienced promoters and management team and diversified presence

SANIMA benefits from an established operating track record, experienced promoters, and a seasoned management team, which support its business stability and governance profile. Operating since October 2004, the Bank has built over two decades of presence in Nepal’s banking industry and has gradually expanded its nationwide footprint to 106 branches, 128 ATMs, and 28 extension counters as of January 14, 2026, reflecting a diversified geographic presence and a well-established retail and institutional customer base. The Bank is promoted by a group of Non-Resident Nepalese (NRN) businesspersons along with reputed institutional shareholders, including Sun Nepal Life Insurance Company Limited (CARE-NP BBB+ (Is)) and Employees Provident Fund, which provides credibility and governance oversight. Governance is further strengthened by an experienced Board of Directors comprising professionals with extensive backgrounds in banking, regulation, and business, including members with prior senior-level experience at Nepal Rastra Bank. The Bank is led by an experienced and stable senior management team headed by CEO Pawan Kumar Acharya, supported by Deputy

¹Complete definitions of the ratings assigned are available at <https://www.careratingsnepal.com/> and in other CRNL publications

CEO Bobby Singh Gadtaula and other senior executives with long-standing experience across credit, risk management, treasury, operations, and technology functions within Nepal's banking sector. The management team's strong domain expertise and institutional knowledge facilitate prudent decision-making, effective risk oversight, and operational continuity, and are viewed positively from a credit rating perspective.

Adequate capitalization levels supported by internal accruals

SANIMA has maintained adequate capitalization levels, supported primarily by steady internal capital generation, enabling it to remain comfortably above the regulatory thresholds prescribed by Nepal Rastra Bank. As of mid-January 2026, the Bank reported Common Equity Tier I (CET-I) ratio of 9.32% and overall Capital Adequacy Ratio (CAR) of 12.57%, compared with regulatory minimum requirements of 8.5% for Tier 1 and 11% for CAR. The bank's core capital ratios have moderated in recent periods—CET-I declining from 10.37% in mid-July 2023 to 9.32% in mid-January 2026—primarily due to sustained credit growth and the resulting increase in risk-weighted exposures, along with continued dividend payouts. Risk-weighted exposures increased by around 27% over this period, broadly in line with loan book expansion, while Tier I capital rose from Rs. 17,432 million to Rs. 19,895 million, supported by earnings retention. Despite balance-sheet growth and dividend distributions, the Bank has maintained decent cushion above regulatory requirements, with Tier II capital providing additional support (Tier II ratio: 3.25% as of mid-January 2026). The ongoing/planned issuance of Rs. 2 billion Additional Tier I instruments (perpetual non-cumulative preference shares) during H2FY26 and another Rs. 2 billion Tier I instruments (perpetual non-cumulative preference shares) in FY27 is expected to further strengthen the capital base. Going forward, the Bank's capitalization will remain contingent on its internal capital generation, dividend policy, asset quality, and pace of credit expansion; nevertheless, the current capital buffer provides reasonable loss-absorption capacity, and the Bank's adequate capitalization profile remains a key credit strength from a rating perspective.

Consistent growth in advances and deposits

SANIMA has demonstrated consistent growth in advances and deposits over the FY23-H1FY26 despite a relatively challenging operating environment in Nepal's banking sector, marked by moderated credit demand and evolving liquidity dynamics. The Bank's gross loans and advances increased from Rs. 150 Bn in FY23 to Rs. 185 Bn in FY25 and further to Rs. 194 Bn in H1FY26, reflecting steady expansion and growth that outpaced the industry average in certain periods. On the liability side, deposits grew from Rs. 179 Bn in FY23 to Rs. 225 Bn in FY25, reaching Rs. 231 Bn in H1FY26, supported by the bank's diversified branch network, stable depositor base, and sustained market confidence. The bank has largely maintained a balanced funding profile, with the Credit-to-Deposit (CD) ratio remaining within prudent levels at 79.42% as of H1FY26, comfortably below the regulatory ceiling prescribed by Nepal Rastra Bank. Overall, the Bank's ability to sustain steady credit growth alongside commensurate deposit mobilization while maintaining adequate liquidity buffers reflects its established franchise and prudent balance sheet management, which is viewed positively from a credit rating perspective.

Resilient earnings profile despite moderation in recent periods

SANIMA has maintained a resilient earnings profile over the past few years despite pressures from fluctuating interest rates, moderation in credit demand, and elevated credit costs in Nepal's banking sector. The Bank reported total income of Rs. 20 Bn in FY25, moderating from around Rs. 23 Bn in FY23, primarily due to lower lending yields, reduced investment income, and normalization in interest rates. Interest income, the main revenue driver, declined in line with a reduction in the yield on advances from 12.75% in FY23 to 8.68% in FY25; however, Net Interest Income remained relatively stable at Rs. 6.4 Bn in FY25, supported by a significant reduction in interest expenses and moderation in deposit costs, despite Net Interest Margin compressing to 2.56%. Non-interest income provided partial support through higher commission income and investment gains. The Bank reported Profit After Tax of Rs. 2.6 Bn in FY25, even amid higher impairment

charges, while operational efficiency improved with the cost-to-income ratio declining to 37.69%. In H1FY26, profitability remained stable with PAT of Rs. 1.4 Bn, supported by growth in net interest income, though provisioning pressures linked to asset quality continued to weigh on earnings. Overall, while profitability remains somewhat sensitive to interest rate cycles, credit costs, and investment income volatility, the Bank's ability to sustain stable earnings and operational efficiency under challenging conditions is viewed positively from a credit rating perspective, with further strengthening contingent on improvement in asset quality and core margins.

Key Rating Weaknesses

Weakened asset quality indicators

SANIMA has witnessed moderation in asset quality indicators over FY23-H1FY26, although its performance remains better than the industry average. The Bank's Gross Non-Performing Loan (GNPL) ratio increased from 1.31% as of mid-July 2023 to 3.63% as of mid-January 2026, reflecting borrower stress and seasoning of the loan portfolio amid challenging operating conditions in the banking sector. Despite this rise, the Bank's GNPL levels continue to remain lower than the industry averages reported over the same periods, indicating comparatively better asset quality. In absolute terms, NPLs increased from Rs. 2 Bn to Rs. 7 Bn, while early warning indicators such as overdue and restructured loans also rose, suggesting emerging stress within certain borrower segments. Nevertheless, the Bank maintains a provision coverage ratio above 100% (111.52% as of mid-January 2026), supported by increased provisioning, which provides a buffer against potential credit losses. Overall, while the deterioration in asset quality remains a key monitorable, SANIMA's asset quality metrics continue to compare favorably with the broader banking sector, and its adequate provisioning and relatively lower GNPL levels provide some resilience, though sustained recovery efforts, monitoring of restructured accounts, and prudent credit risk management will remain critical going forward.

High portfolio concentration among top depositors and borrower groups

Deposit concentration by top 20 institutional depositors stood high at ~16% and ~17% of total deposits respectively as on mid-July 2025 and mid-Jan 2026. However, the comfort is taken from strong institutional depositors of the bank which include government enterprises and prominent businesses. The bank has high concentration on loan portfolio as top 20 single borrower which accounts for ~17% and ~18% of total advances as on mid-July 2025 and mid-Jan 2026. Top 20 group borrowers' exposure accounted for ~26% and ~27% of total advances at the end of FY25 and H1FY26.

Intense competition in the industry and exposure to regulatory risk related to industry

Currently there are 20 Commercial Banks (as on mid-January 2026), including three major state-owned banks, operating with total 5,101 branches all over Nepal (based on monthly statistics published by NRB for mid-January 2026). SANIMA had 106 branches along with head office as on same date. Industry (Class A Commercial Banks) had achieved net interest income of Rs. 95.6 Bn during H1FY26, where SANIMA's share on net interest income was 3.6%. Intense competition in the banking industry results in a highly dynamic market with volatile market shares. Unhealthy competition in the interest rates remains a prominent challenge. The banking industry of Nepal is exposed to changes in various regulatory measures issued by NRB from time to time. During last couple of years, NRB had changed to CD ratio mechanism from previous Credit to Core Capital plus Deposit (CCD) ratio measures, increased the minimum requirement of liquid assets that the BFIs must hold and implemented working capital guidelines. Cumulatively these led to muted credit growth in FY23 and FY24. Subdued growth in loans and advances and increase in credit cost due to rising NPL levels is likely to put downward pressure on the bank's profitability indicators.

Industry Outlook

The major challenges currently faced by the banking sector in Nepal is centered around declining asset quality. High and rising GNPLs are leading to stressed profitability and adding downward pressure on banks' capitalization. CARs of Class A banks declined from 13.37% as on mid-July 2023 to 12.90% as on mid-July 2025 against the backdrop of deterioration in GNPL ratio from 2.98% to 4.44% over the same period. Credit expansion in Nepal took off substantially and in more aggressive manner during the pandemic era with loans & advances portfolio of Class A banks growing by a compounded annual growth rate of ~19% over FY19-FY22, leading to a higher proportion of unseasoned credit in their books. Introduction of contractionary policies helped check credit growth in FY23. The enforcement of stringent working capital guidelines, combined with a high interest rate environment adversely affected the repayment capacity of borrowers across the credit spectrum. Also, muted GDP growth in the country (real GDP growth of 2% and 3.90% in FY23 and FY24 as compared to 4.8% and 5.60% in FY21 and FY22 respectively) and lower than expected government expenditures have prolonged the difficult road to recovery for various sectors including construction, steel, cement, automobiles, retail and SME sectors. Net Interest Margin (NIM) in the banking sector has contracted owing to credit check amid reduced cushion in capitalization levels and rise in interest suspense accounts. Additionally, deposit growth has outpaced credit growth, leading to excess liquidity being parked in lower-yielding Treasury bills and government securities. Credit costs have also trended upward, reflected in higher impairment charges and loan writeoffs with a growing share of Non-Banking Assets. These factors have collectively dampened profitability and reduce distributable earnings, thereby constraining internal capital generation. Furthermore, the recent political upheaval in the country has likely cut short the revival trend observed in FY25. With likely slowdown in the economy, at least for FY26, the near-term outlook for the industry remains filled with caution.

Applicable Criteria

[Rating Methodology - Banks](#)

[Rating Methodology - Issuer Rating](#)

About the Bank

SANIMA, an "A" Class Licensed Institution from Nepal Rastra Bank (NRB) listed in Nepal Stock Exchange, is one of the mid-sized private sector banks in Nepal. The bank commenced operations in 2004 as a National Level Development Bank and has been functioning as an "A" Class Commercial Bank since February 2012, with its registered office at 'Alakapuri', Naxal, Kathmandu. As on mid-January 2026, the paid-up capital of the bank is Rs. 13.58 Bn with 51% promoter holding and 49% held by general public.

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