

Nepal SBI Bank Limited

Ratings

Facility/Instrument	Amount (Rs. in Million)	Ratings ¹	Rating Action
Issuer Rating	NA	CARE-NP AAA (Is) [Triple A (Issuer Rating)]	Reaffirmed

CARE Ratings Nepal Limited (CRNL) has reaffirmed the issuer rating of 'CARE-NP AAA (Is)' assigned to Nepal SBI Bank Limited (NSBL). Issuers with this rating are considered to offer the highest degree of safety regarding timely servicing of financial obligations, in Nepal. Such issuers carry lowest credit risk.

Detailed Rationale & Key Rating Drivers

The reaffirmation of issuer rating assigned to NSBL factors in the bank's strong parentage with State Bank of India (SBI, rated CARE AAA; Stable²) holding majority stake (55%), strategic importance of the bank to SBI coupled with high operational linkages and the parent's demonstrated track record of providing technical and financial support to the subsidiary company. The parent's oversight over the practices, controls, performance and compliance aspects of subsidiary company can be seen by the way of representation of parent in board of NSBL (three out of six board of directors) and deputation of senior management personnel from SBI to NSBL.

The rating also continues to derive strength from NSBL's adequate capitalization levels and healthy internal capital generation through accruals of profit to meet the regulatory requirements and support its credit growth. The rating also factors in the bank's satisfactory financial performance during 9MFY26 (Unaudited; refers to the nine-month period ended mid-April 2026), supported by steady growth in on-balance-sheet advances. It takes note of the improving asset quality since the previous review, as reflected in the declining Gross Non-Performing loan (GNPL) levels. The reduction in GNPLs in absolute terms, along with the adequate NPA coverage ratio maintained by the bank, has significantly strengthened its solvency profile as of mid-April 2026. The rating takes note of consistent growth in deposit and advances base of NSBL, with more prudent growth in advances, diversified advances portfolio with adherence to regulatory compliance regarding the exposure towards prescribed sector lending and comfortable liquidity profile of the bank.

The rating, however, is constrained by NSBL's below industry average low-cost deposit ratio, although comfort is taken from strong institutional depositors of the bank and proven track record to expand its loan portfolio without compromising interest rate spreads. The rating also factors in intense competition and exposure to regulatory risk related to industry.

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 (NRB) would be the key rating sensitivities. Additionally, any substantial changes in shareholding pattern leading to material changes in linkages with major shareholder (SBI) will also remain key rating sensitivity.

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

²State Bank of India is rated AAA (for Tier II bonds) by Care Ratings Limited (CARE Ratings)

Detailed Description of the Key Rating Drivers

Key Rating Strengths

Strong parentage and established track record of operations along with experienced management

NSBL's credit profile is backed by strong institutional promoters with SBI holding 55% and the Employee Provident Fund holding 15% stake in the bank. SBI, with more than 200 years of history, is the largest bank in India in terms of total business size (advances and deposits). SBI is designated as one of the domestic systemically important banks (D-SIB) in India. SBI's major shareholder is Government of India (GoI), which held ~55% stake in the bank as on March 31, 2026. As on March 31, 2026, the bank had more than 23,000 domestic branches and over 65,000 ATMs, along with an international presence of over 240 offices across nearly 30 countries.

SBI has strong representation in board of NSBL as three of its six board members are nominated by SBI. The board of director of NSBL is chaired by Mr. Venkata Vamsidhar Kuncha, Chief General Manager of International Banking Group of State Bank of India (SBI), with over three decades of experience in SBI. Mr. Ram Kumar Tiwari, MD and CEO of NSBL, also has almost three decades of experience in SBI. Furthermore, other various top management personnel of NSBL including the Chief Operating Officer and Chief Financial Officer are deputed by SBI as per the terms of Technical Service Agreement (TSA) entered between SBI and NSBL. NSBL has entered into TSA with SBI (renewed every five years) for providing technical and management skill support. The operational linkages between SBI and its subsidiary NSBL are clearly demonstrated by the full support provided by SBI to NSBL in terms of IT infrastructure. Additionally, parent's demonstrated track record of support to its subsidiary is evident through line of credit and financial support in the form of External Commercial Borrowings (ECB) provided by SBI to NSBL in the past. Strategic importance of subsidiary to parent is reflective from close oversight by SBI's management over the performance, risk management and compliance aspect of NSBL. As a subsidiary and part of SBI group, SBI extends its best practices to NSBL. NSBL's financials get consolidated in that of SBI and it also shares SBI's name, brand equity and logo, underpinning its strategic importance to the parent. Considering the majority shareholding and the strategic importance of the bank to SBI, CRNL expects continued support from parent company going forward as well.

Adequate capitalization level

NSBL continues to maintain an adequate capitalisation profile, as reflected in a Core Equity Tier I (CET I) ratio of 9.25% as of 9MFY26 end, translating into a comfortable 2.25% cushion over the regulatory minimum. The bank's overall capital adequacy ratio (CAR) stood at 13.76%, providing a 2.76% buffer above the minimum requirement. NSBL reported steady credit growth of around 7% y-o-y in FY25 and maintained a similar growth trajectory as of 9MFY26 end over the FY25 level. This growth has been largely supported through internal accruals, underpinned by the bank's sustained profitability over the years. However, continued cash dividend distributions have exerted some moderation on capitalisation levels. CET I ratio and overall capital ratio declined by 30 bps and 49 bps y-o-y, respectively, to 9.76% and 12.75% as of mid-July 2025. The CET I ratio declined further by 51 bps to 9.25% as of mid-April 2026. Nevertheless, the successful issuance of Rs. 3,000 Mn Tier II debentures on July 23, 2026, materially strengthened the bank's capital position, with the overall CAR improving by 101 bps to 13.76%. This level remained above the industry average CAR of 12.53% as of mid-April 2026, indicating continued capital strength relative to peers. The bank's ability to maintain an adequate buffer in its capital adequacy ratios will remain critical to ensuring its solvency and supporting its future growth prospects.

Steady financial performance

The bank's financial performance continues to remain steady, marked by satisfactory profitability levels. Net Interest Margin (NIM) moderated to 2.38% in FY25 (Audited; FY refers to the twelve-month period ending mid-July) from 2.57%

in FY24 and further declined to 2.12% in 9MFY26. This compression is broadly in line with industry trends, driven by a widening credit–deposit gap and excess liquidity in the banking system amid higher deposit growth and subdued credit demand. These dynamics have intensified competition in lending rates, thereby exerting downward pressure on interest rate spreads. At the same time, the bank continued to strengthen its focus on non-interest income, which increased by ~16% y-o-y to Rs. 1,733 Mn in FY25. Net Interest Income (NII) also grew by 3.7% y-o-y to Rs. 5,266 Mn, supported by growth in on-balance-sheet advances. Despite an improvement in pre-provision operating profit (PPOP), driven by higher NII and controlled operating expenses, overall profitability was weighed down by a sharp increase in impairment charges during the year due to elevated GNPL levels. As a result, net profit, although at satisfactory level, declined by 9.44% y-o-y to Rs. 1,811 Mn in FY25. Return on total assets (ROTA) moderated to 0.82% in FY25 from 1.01% in FY24. During 9MFY26, the bank's PPOP grew by 19% y-o-y. This growth, along with relatively contained impairment charges despite an increase on a y-o-y basis, supported by improving GNPL levels, contributed to an overall improvement in profitability. Consequently, the bank's net profit increased by 21% y-o-y to Rs. 1,462 Mn in 9MFY26, with ROTA standing at 0.80%.

Improving asset quality parameters above industry standards

The bank has historically maintained a better asset quality profile, supported by robust credit sanctioning and prudent risk management practices. However, asset quality came under pressure, with the GNPL ratio rising to 4.06% as at 9MFY25 end, one of the highest levels reported by the bank in last 5 years. Compared with the previous review based on 9MFY25 results, the bank's asset quality has since shown a gradual improvement trend. GNPL in absolute terms declined from Rs. 5,767 Mn as at 9MFY25 end to Rs. 4,784 Mn at FY25 end, and further to Rs. 3,863 Mn as at 9MFY26 end. Consequently, the GNPL ratio improved significantly from 4.06% one year prior to 2.53% at 9MFY26 end. This improvement stands in contrast to the broader industry trend, wherein the GNPL ratio of Class A commercial banks increased from 5.05% to 5.41% over the same period.

Early-stage delinquencies (30+ days past due) remained largely stable at ~13% across the previous and current review periods. The bank also continues to maintain adequate provision coverage, with around 91% of NPAs provided for as at 9MFY26 end. This, coupled with a strengthening capital base supported by internal capital generation, has contributed to a marked improvement in the bank's solvency profile with NNPL/ Net worth improving significantly to 1.65% as of mid-April 2026 from 13.41% as of mid-April 2025 (last review). Going forward, the ability of the bank to limit slippages and improve its asset quality will be a key rating monitorable.

Comfortable liquidity profile

NSBL continues to maintain a comfortable liquidity profile, as reflected in an SLR of 36.16% against the regulatory requirement of 12%, an average CRR of 4.78% against the minimum requirement of 4%, and net liquidity of 38.75% against the stipulated 20% as on April 13, 2026. The bank's asset-liability maturity profile remained broadly matched as on mid-April 2026, thereby limiting near-term refinancing pressure. The liquidity profile is further supported by a stable deposit franchise, which helps mitigate rollover risk. Although the deposit base exhibits some concentration, comfort is derived from the quality of the larger depositors, which include government institutions and international organizations. Liquidity comfort is also reflected in the bank's prudent credit-to-deposit position, with a CD ratio of ~68% as on mid-April 2026, indicating adequate headroom to support incremental credit growth. Overall, NSBL's liquidity profile has remained resilient across cycles, supported by prudent and organic balance sheet management.

Key Rating Weaknesses

Below industry-average low-cost deposit ratio

NSBL's low-cost deposit ratio remains below the industry average. NSBL's low-cost deposit ratio was ~45% and ~51% at the end of FY25 (Industry average: ~52%) and 9MFY26 respectively (Industry average: ~61%). NSBL's base rate ranked 3rd highest among 20 commercial banks as on mid-April 2026. This leads to higher cost of funds and base rates for NSBL vis-à-vis peers. Despite having higher cost of funds, the bank is able to consistently grow its loan portfolio and maintain its interest spread comparable to industry peers (which remains under regulatory threshold of 4% applicable to all commercial banks). Base rates still stood comfortable for credit growth as the rates of the commercial banks range from 4.21-6.20% as on mid-April 2026.

Intense competition and exposure to regulatory risk related to industry

Currently there are 20 Commercial Banks (as on mid-April 2026), including three major state-owned banks, operating with total 5,003 branches all over Nepal (based on monthly statistics published by NRB for mid-April 2026). NSBL had 103 branches along with head office and seven province offices as on same date. Industry (Class A Commercial Banks) had achieved net interest income of Rs. 141 Bn during 9MFY26, where NSBL's share on net interest income was 2.73%. NSBL is a mid-sized Class A bank. Compared to its peers, it is relatively smaller in scale, with a growth strategy focused on organic and consistent expansion of its deposit base and loans and advances, rather than aggressive growth. The banking industry of Nepal is exposed to changes in various regulatory measures issued by NRB from time to time. The banking sector highly depends on the overall economic environment in the country and has high correlation with the economic growth. As a result of their importance to the overall economy and financial markets, Nepalese banks continue to be highly regulated by NRB. To manage both contractionary and expansionary monetary conditions, the NRB employs various monetary policy instruments, including open market operations, the policy corridor, standing facilities, and the cash reserve ratio/statutory liquidity ratio. These tools help regulate interbank rates, lending and deposit rates, ultimately supporting effective liquidity management and price stability in the economy.

Industry Outlook

The banking sector in Nepal is currently struggling with deteriorating asset quality, reflected in rising non-performing loans (GNPLs) and moderating capital positions. The GNPL ratio for Class A banks climbed from 1.2% in mid-July 2022 to 5.41% in mid-April 2026, contributing to a decline in the capital adequacy ratio (CAR) from 13.53% to 12.53% over the same period. This mounting credit stress has directly affected banks' profitability and capitalization.

Nepal's credit expanded rapidly between 2015 and 2022, driven initially by post-earthquake reconstruction activities and NRB's directive for banks to increase their paid-up capital by FY17. Reconstruction efforts boosted lending across the construction, industrial (cement, steel), and services sectors up to 2019. During the COVID-19 pandemic, NRB introduced extensive regulatory relief measures such as loan restructuring and rescheduling, interest deferrals, and extended moratoriums, which further accelerated credit growth. The aggressive credit growth vis-a vis income levels is also reflected from sharp increase of credit-to-GDP ratio from ~64% in FY15 to ~97% in FY22. To rein in excessive credit expansion, NRB adopted contractionary policies in 2022, including expiry of all COVID-era relaxations by mid-July 2022 and implementation of the Working Capital Guidelines in August 2022. Simultaneously, rising imports, limited export growth, reduced tourism income, and global inflation pressures caused a balance-of-payments deficit and falling foreign exchange reserves in January-June 2021. Consequently, NRB imposed import restrictions (April–December 2022) to manage BOP stability and raise policy rates to curb inflation. Although, the policy measure effectively translated into lower inflation with a lag effect and improved liquidity, also supported by rising remittance inflows, the real time as well as spillover impact of same could be seen in weakened aggregate demand, reduced investment activity, and slowed

economic growth. As businesses experienced prolonged cash-flow stress, exacerbated by longer operating cycles, constrained bank financing, and higher interest rate environment, their repayment capacity declined. Thus, current surge in GNPL ratios and delinquent loans is attributable to lag impact of quality of credit from pre and post pandemic era coupled with macroeconomic shocks by economy thereafter.

During 9MFY26, credit uptake remained subdued and below monetary targets, largely due to slower economic growth, subdued private consumption, weak fiscal spending, a deteriorated investment climate, and declining investor confidence further aggravated by Gen Z protests, and high household/corporate leverage relative to income. The NIM narrowed as abundant liquidity and an expanded credit-deposit base intensified competition and compressed lending spreads. At the same time, credit costs rose, reflected in higher impairment charges, increased loan write-offs, and a growing stock of non-banking assets. These pressures collectively weakened profitability, reduced distributable earnings, and constrained internal capital generation. The expected increase in fiscal spending in FY27, driven by a larger budget size, accelerated reconstruction activities, and higher capital expenditure, together with improved disposable income following the income tax cuts, is likely to support aggregate demand and economic growth in the country. This should, in turn, contribute to increased credit demand and a gradual improvement in asset quality parameters over the medium term.

Applicable Criteria

[Rating Methodology - Banks](#)

[Rating Methodology – Issuer Rating](#)

About the Bank

Nepal SBI Bank Limited (NSBL), an “A” Class Licensed Financial Institution from Nepal Rastra Bank (NRB; central bank of Nepal) listed on Nepal Stock Exchange, is a subsidiary of State Bank of India (SBI) having 55 percent of ownership. It was incorporated on April 28, 1993 and is the only listed subsidiary of SBI. NSBL has entered into Technical Service Agreement (TSA) with SBI on May 25, 1993 for providing technical and management skills, knowledge and experience in banking activities and modern banking developments from SBI. SBI provides management support to NSBL through its expatriate officers. Central Management Committee (CENMAC) consisting of the Managing Director & CEO, Dy. CEO & Chief Operating Officer, Chief Financial Officer and two Vertical Heads as decided by Managing Director of the Bank, exercises overall control functions with the help of controlling offices, and oversees the overall operations of the Bank.

(Rs. In Mn)

Brief Financials	FY23 (A)	FY24 (A)	FY25 (A)	9MFY26 (UA)
Total Income	19,527	19,393	17,194	12,353
PAT	1,967	2,000	1,811	1,462
Total Assets	185,958	208,811	232,818	254,744
GNPL (Gross NPA / Gross Advances) (%)	2.43	1.96	3.35	2.53
NNPL (Net NPA / Net Advances) (%)	0.90	0.33	1.25	0.24
ROTA (%)	1.16	1.01	0.82	0.80

A: Audited; UA: Unaudited

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About CARE Ratings Nepal Limited:

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