

Nabil Bank Limited

Ratings

Facility/Instrument*	Amount (Rs. in Million)	Ratings ¹	Rating Action
Issuer Rating	NA	CARE-NP A+ (Is) [A Plus (Issuer Rating)]	Revised from CARE-NP A (Is)

CARE Ratings Nepal Limited (CRNL) has revised the issuer rating assigned to Nabil Bank Limited (NABIL) to 'CARE-NP A+ (Is)' from 'CARE-NP A (Is)'. 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 revision of the issuer rating assigned to NABIL factors in the bank's strengthened capitalization and solvency profile as of mid-January 2026 supported by sustained healthy profitability metrics and a gradual improvement in asset quality parameters compared to the previous review period and contrary to broader industry trends. The bank's continued emphasis on maintaining credit growth momentum, despite subdued industry-wide credit expansion, particularly through a calibrated shift towards lower risk-weighted assets has supported revenue growth without exerting undue pressure on capitalization levels. The bank's profitability indicators continue to remain healthy and among the strongest in the industry, underpinned by its relatively higher deposits and advances base. This has significantly aided internal capital generation over time, enabling the bank to support continued credit growth organically. Additionally, the bank has completed successful issuance of Additional Tier I and Tier II instruments during H1FY26 (Unaudited; refers to six-month period ended mid-January 2026), which has also contributed to strengthening its capitalization levels. The improved solvency position of the bank is attributable to increased tangible net worth base as well as a relatively lower net non-performing loans during the review period. Although the bank's Gross Non-Performing Loans (GNPL) ratio remains elevated relative to historical levels, the improvement observed during the review period reflected in lower delinquency levels, underscores the bank's focused and effective recovery efforts. The rating also continues to factor in the bank's long operating track record, its experienced and professional management team responsible for a strong internal control framework, sustained growth in deposits and advances, comfortable liquidity profile, and a healthy low-cost deposit mix that supports a relatively lower cost of funds.

The rating, however, is constrained by elevated asset quality parameters indicated by heightened GNPL ratio and delinquencies level as on mid-January 2026. Any adverse migration of accounts from the 30–90 days overdue bucket could exacerbate stress on NABIL's asset quality, potentially exerting pressure on earnings and distributable profits, which remains a key constraint from credit perspective. The rating also factors in intense competition, and exposure to regulatory risk related to industry.

The bank's ability to improve its asset quality will be critical for the bank's earning profile and profitability and will be a key rating sensitivity. Maintaining adequate cushion towards the capital adequacy requirements, and ability of the bank to manage the impact of any regulatory changes by Nepal Rastra Bank (NRB) will also remain key rating sensitivities.

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

Detailed Description of the Key Rating Drivers

Key Rating Strengths

Established track Record of operations and experienced management backed by diversified geographical coverage

Established in 1984, NABIL has operational track record of over four decades as the first private sector bank of Nepal. NABIL has a well-diversified geographical reach in Nepal through its 268 branches, 20 extension counters, 319 ATMs terminals and 12 branchless banking as on mid-January 2026 covering 62 districts. In terms of scale, it is second largest commercial bank in Nepal with market share of ~8% in terms of deposits and ~9% in terms of advances as on mid-January 2026, second highest among 20 commercial banks in Nepal. The bank is promoted majorly by institutional promoters including N.B (International) Limited (Ireland), IFIC Bank Plc (Bangladesh), Rastriya Beema Company Limited etc.

NABIL has a seven-member Board of Directors, chaired by Mr. Nirvana Chaudhary, Managing Director of the Chaudhary Group. The Chaudhary Group is one of Nepal's leading business conglomerates, with diversified ventures spanning banking, insurance, manufacturing, hospitality, healthcare, information technology, and communications, among others. The management team of NABIL Bank is led by Chief Executive Officer (CEO) Mr. Manoj Kumar Gyawali, who brings more than two decades of experience in the banking and hydropower sectors. He is supported by a highly experienced and professional management team.

Improved capitalisation levels

The bank has consistently maintained adequate capitalization levels to meet regulatory requirements and support sustained credit growth. It has demonstrated steady credit expansion while continuing to distribute cash dividends over the years. Despite these outflows, the bank maintained adequate capital buffers, with overall Capital Adequacy Ratio (CAR) exceeding regulatory requirements by 1.77% as of mid-January 2026. Both Tier I and overall capitalisation ratio improved as compared to last review based on 9MFY25 results and were better than industry average as of H1FY26 end. This capital strength is supported by robust internal capital generation, reflected in the bank's relatively higher Return on Total Assets (ROTA) compared to peers. Although profitability continued to remain robust with a ~46% y-o-y increase in H1FY26, the accruals to core capital were partly offset by a sizeable cash dividend payout of Rs. 3,362 Mn (12.50% cash dividend) during the period. However, the successful issuance of additional Tier I and Tier II instruments amounting to Rs. 8 Bn (Rs. 5 Bn perpetual non-cumulative preference shares and Rs. 3 Bn Tier II subordinated debentures) substantially strengthened the company's capital base, driving a 105-bps improvement in the overall CAR to 12.77% as of mid-January 2026 compared with mid-April 2025 (last review). Tier I ratio showed marked improvement, reflected by 64 bps rise to 9.76% as on H1FY26 end. 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.

Strong profitability levels aided by steady credit growth

From FY25 (FY refers to the twelve-month period ending mid-July) onwards, yields on advances across the banking sector declined more sharply than funding costs, as deposit rates remained anchored at a lower bound of 3% until the end of FY25 amid improving system liquidity. This trend, coupled with revised interest income recognition norms that limit accruals on overdue loans to a three-month period (from the earlier allowance of up to twelve months), exerted additional pressure on margins. Consequently, the bank's Net Interest Margin (NIM) moderated to 2.74% in FY25 from 3.14% in FY24 and further declined to 2.43% in H1FY26. However, credit growth of ~11% in FY25, higher than industry average of ~8.6% has facilitated its income profile. Reductions in the cost of funds and controlled operating expenses supported 1.41%

increase in pre-provisioning operating profit (PPOP), which reached NPR 13,512 Mn in FY25. Impairment charges were relatively steady during FY24-FY25, thus PBT improved by 1.5% y-o-y to Rs. 8,733 Mn during FY25.

The bank's financial performance improved substantially in H1FY26, with net profit rising by ~46% y-o-y to Rs. 4,760 Mn. This recovery was supported by higher PPOP and a reduction in impairment charges amid gradual improvements in asset quality. NABIL's profitability continues to remain stronger than that of its industry peers, with a ROTA of 1.43% in H1FY26.

Marked improvement in solvency position and comfortable liquidity profile

The company's tangible networth base strengthened following the successful issuance of additional Tier I instruments of Rs. 5 Bn in H1FY26, along with its strong profitability level. Combined with adequate loan-loss provisioning, solvency metrics materially improved with the NNPL/Networth ratio improving to 5.93% at H1FY26 end, down from 10.99% as of 9MFY25 end.

NABIL maintained comfortable liquidity profile with SLR of 29.65% (regulatory requirement:12%) and average CRR of 4.96% (regulatory requirement: 4%) and net liquidity of 29.60% (regulatory requirement: 22%) as on January 14, 2026. Bank has adequate liquidity profile with positive cumulative mismatches as on mid-January 2026 due to well matched tenure of assets and liabilities.

Relatively lower cost of funds supported by healthy low-cost deposit ratio

Industry-wide low-cost deposits have been on a rising trend, supported by a growing deposit base and improved liquidity in the economy. For Class A commercial banks, the share of low-cost deposits increased to 57.50% as of mid-January 2026, up from 52.41% as of mid-July 2025. NABIL has outperformed the industry average, with its low-cost deposit ratio rising to 60.44% as of mid-January 2026, compared to 55.04% as of mid-July 2025.

A lower CASA mix typically leads to a higher cost of funds, which puts banks at a disadvantage under Nepal's "base rate plus" lending model. This can weaken pricing power and profitability, especially amid intense competition. Thus, with its higher proportion of low-cost deposits, NABIL reported one of the lowest base rates in the industry as of mid-January 2026.

Key Rating Weaknesses

Elevated, although improving asset quality parameters

The company's asset quality parameters have improved compared to the last review in mid-April 2025, supported by better GNPL ratios and lower delinquency levels. A steady improvement was visible throughout FY25 and H1FY26 relative to the 9MFY25 performance. The GNPL ratio declined to 4.25% as of mid-January 2026 from 4.96% as of mid-April 2025, driven by a reduction in absolute NPL levels. NNPL improved to 0.93% as of H1FY26 end compared to 1.67% as of 9MFY25 end. Similarly, 30+ day delinquencies improved to ~13% at the end of H1FY26, down from ~15% at 9MFY25 end. However, a material proportion of total advances remains classified under the watchlist category (30–90 days past due) i.e. 8.81% of total advances as on mid-January 2026, which elevates the risk of potential slippages into the NPL category. Further deterioration in asset quality would necessitate higher impairment charges, thereby constraining the bank's distributable profits. Accordingly, movements in delinquency levels will remain a key metric to monitor. Nevertheless, the bank's improving asset quality metrics, contrary to the industry trend, wherein the GNPL ratio of Class A commercial banks increased to 5.26% as of H1FY26 end from 5.05% as of 9MFY25 end, reflects the strengthening of its internal control systems, enhanced recovery efforts, and management's sustained focus on improving asset quality.

Intense competition 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 5,092 branches all over Nepal (based on monthly statistics published by NRB for mid-January 2026). NABIL had 268 branches along with head office as on same date. Industry (Class A Commercial Banks) had achieved net interest income of Rs. 95 Bn during H1FY26, where NABIL's share on net interest income was 8.46%. 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 5.26% in mid-January 2026, contributing to a decline in the capital adequacy ratio (CAR) from 13.53% to 12.49% 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 H1FY26, 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. Although credit demand and economic activity were initially soft in Q1FY26 due to low capital expenditure and post-protest uncertainty, conditions have since stabilised, with no significant deterioration observed in

the industrial and tourism sectors. The anticipated pickup in fiscal spending in the final quarter of FY26, supported by post-election political stability, accelerated reconstruction activities, and higher capital expenditure, is expected to boost aggregate demand and support economic growth in the country, which should, in turn, aid improvement in asset quality parameters over the medium term.

Applicable Criteria

[Rating Methodology - Banks](#)

[Rating Methodology – Issuer Rating](#)

About the Bank

NABIL is an “A” Class Licensed Institution from Nepal Rastra Bank (NRB) incorporated on May 11, 1984. The bank commenced operations on July 12, 1984, and is headquartered at Durbar Marg, Kathmandu. It was listed on the Nepal Stock Exchange on November 24, 1985. NABIL has two subsidiaries, Nabil Investment Banking Limited and Nabil Stock Dealer Limited and one associate company, NADEP Laghubitta Bittiya Sanstha Limited as on mid-January 2026.

(Rs. in Mn)

Brief Financials	FY23 (A)	FY24 (A)	FY25 (A)	H1FY26 (UA)
Total Income	50,693	51,188	46,119	22,391
PAT	6,405	6,197	5,922	4,760
Total Assets	481,204	557,020	636,787	697,026
GNPL (%)	3.39	4.45	4.48	4.25
NNPL (%)	1.23	1.43	1.00	0.93
ROTA (%)	1.42	1.19	0.99	1.43

A: Audited; UA: Unaudited

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About CARE Ratings Nepal Limited:

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