Everest Bank Limited

Ratings

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

CARE Ratings Nepal Limited (CRNL) has reaffirmed the rating of 'CARE-NP AA (Is)' assigned to Everest Bank Limited (EBL). Issuers with this rating are considered to have high degree of safety regarding timely servicing of financial obligations, in Nepal. Such issuers carry very low credit risk.

Detailed Rationale & Key Rating Drivers

The reaffirmation of rating assigned to EBL factors in its long track record of operations, strong promoter group backed by institutional promoter along with experienced and seasoned management team. The rating further factors in the bank's comfortable capitalization levels as of mid-April 2026, underpinned by robust profitability, which is expected to be sufficient to meet regulatory requirements and support its anticipated credit growth trajectory.The rating particularly takes note of the bank's ability to maintain superior asset quality vis-à-vis industry peers on a sustained basis and comfortable solvency profile reflective in its low net NPL to net worth ratio as on mid-April 2026. The rating factors in healthy earning and profitability profile of the bank in FY25 (Audited, FY refers to the twelve-month period ending mid-July) and 9MFY26 (Unaudited, refers to the nine-month period ended mid-April 2026), comfortable liquidity profile, diversified geographical presence and coverage of branch network, improving CASA deposits and relatively lower cost of funds.

The rating, however, is constrained by high portfolio concentration in borrowers and depositors, intense competition and exposure to regulatory risk related to industry.

Going forward, the ability of the bank to maintain 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.

Detailed Description of the Key Rating Drivers

Key Rating Strengths

Long track record, strong promoter group backed by institutional promoter and experienced management team

Established in 1994, EBL has operational track record of over three decades. As of mid-April 2026, EBL has a diversified presence across Nepal operating 133 branches, 163 ATMs, 4 extension counters, 33 revenue collection counters and 19 branchless banking units nationwide.EBL is a joint venture with Punjab National Bank Limited (PNB; rated 'CARE AAA; Stable' for Tier II Bonds by Care Ratings Limited (CARE Ratings)) with 20.02% equity stake held by PNB. EBL has entered into Technical Service Agreement (TSA) with PNB, which is renewed every five years and under which PNB provides for management support on deputation of higher management executives. One of the six board of directors of EBL is nominated from PNB and two upper-level executives, DCEO and DGM, are deputed from PNB. In terms of asset size, the bank is the second largest in terms of total business in India. The bank has a network of 10,230 domestic branches (two international branches), 11,187 ATMs as on September 30, 2025.

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

EBL is a professionally managed bank under the overall guidance of the bank's Board of Directors (BoD) and seasoned management team. Dr. Bal Gopal Baidya, Chairman, is a former member of National Planning Commission. The bank is led by Sudesh Khaling, Chief Executive Officer (CEO), who has experience of over three decades in banking sector. He is supported by an experienced management team.

Comfortable capitalization levels supported by internal accruals

The bank's capitalisation profile remained comfortable, maintaining an adequate cushion above regulatory minimums as of mid-April 2026. EBL reported buffers of 2.58% in its CET I ratio and 1.18% in its overall CAR over the respective regulatory requirements of 7% and 11% at the end of 9MFY26. In FY25, advances grew strongly by around 20% y-o-y, significantly outpacing the industry average. This, combined with cash dividend payments, led to a slight moderation in the CET I ratio, which declined to 10.44% at FY25 end from 10.59% a year earlier. In contrast, the overall CAR improved by 87 basis points y-o-y to 13.17%, supported by the issuance of subordinated debentures amounting to Rs. 3 Bn.

Compared with FY25, interim capitalisation metrics at 9MFY26 showed some moderation. This was mainly due to sizeable cash dividend payments of Rs. 1,812 Mn (14%), which partly offset the impact of the bank's healthy profitability. At the same time, management continued to focus on credit expansion and market share gains, with advances growing by around 17% over FY25 levels by the end of 9MFY26. EBL's market share in advances improved to 5.0% in 9MFY26 (7th position) from 4.51% in FY25 (14th position). CET I ratio thus moderated by 86 bps to 9.58% and the overall CAR moderated by 99 bps to 12.18% at 9MFY26 end. The bank's capitalisation profile remains comfortable, supported by its consistent profitability and low asset quality stress.

Healthy earning and profitability profile

EBL's earning and profitability profile stood robust supported by its growing scale, controlled operating cost and relatively lower credit cost. The bank's on-balance-sheet advances grew by ~20% y-o-y in FY25, supporting a similar increase in Net Interest Income (NII), which reached Rs. 9,102 Mn. While there was a slight moderation in Net Interest Margins (NIM), this was effectively offset by strong volume growth, highlighting the bank's ability to sustain earnings momentum through balance sheet expansion. Consequently, Pre-Provision Operating Profit (PPOP) rose by ~21% y-o-y to Rs. 7,202 Mn in FY25, reflecting both topline growth and operational efficiency. Further supporting profitability, the bank benefited from improving asset quality, which enabled a reversal of impairment charges. This provided a significant boost to the bottom line, with net profit increasing strongly by ~31% y-o-y to Rs. 4,840 Mn in FY25. As a result, Return on Total Assets (ROTA) improved to 1.47% in FY25 from 1.36% in FY24, underscoring enhanced earnings capacity and better asset quality parameters. Net profit remained healthy at Rs. 3,329 Mn in 9MFY26, with ROTA standing at 1.20%, which continues to compare favourably against the industry average.

Sustained superior asset quality vis-à-vis industry

Robust risk management practices implemented by EBL including proper risk assessment and credit sanctioning, credit scoring model and periodic monitoring of credit portfolio has aided EBL to sustain superior asset quality vis-a vis peers. At FY25-end, GNPL ratio significantly improved to 0.38%, the lowest in the industry and significantly better than the industry average of 4.44%. This notable improvement was mainly driven by stronger recovery efforts undertaken by management during the final quarter of the fiscal year. A similar improvement was reflected in the bank's solvency profile, as the NNPL to net worth ratio improved to 0.67% at FY25 end, from 1.81% at the end of 9MFY25. Compared with the last review based on 9MFY25, the bank's GNPL ratio remained broadly stable at 0.61% in 9MFY26, showing a marginal improvement from 0.64% in 9MFY25. Some improvements were visible in the 30+ days delinquency level, which declined in absolute amount in 9MFY26 compared to corresponding period. The solvency profile also remained broadly stable, with the NNPL to net worth ratio standing at 1.77% at 9MFY26 end, compared with 1.81% at 9MFY25 end. Going forward, the ability of the bank to limit slippages and maintain its asset quality at envisaged levels will be a key rating monitorable.

Comfortable liquidity profile

EBL continues to maintain a comfortable liquidity profile, as reflected in an SLR of 25.38% against the regulatory requirement of 12%, an average CRR of 4.71% against the minimum requirement of 4%, and net liquidity of 26.74% against the stipulated 22% 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.

Improving CASA deposits and relatively lower cost of funds

The industry's CASA deposits have shown an upward trend, rising from 36.84% at the end of FY24 to 52.33% at the end of 9MFY26, supported by overall deposit growth and declining interest rates on fixed deposits. In comparison, the bank's CASA ratio stood at a relatively lower 44.15% as of 9MFY26, against the industry average of 52.33%. However, this was offset by a higher proportion of fixed deposits i.e. ~72% with maturities of less than one year, where the weighted average interest rate is 3.29-3.61%, contributing to a lower cost of funds. This cost advantage supports the bank's competitiveness under "base rate plus" lending model in terms of bank's pricing power and profitability in a highly competitive environment. As of mid-April 2026, the bank reported one of the lowest base rates in the industry, ranking 3rd lowest overall.

Key Rating Weaknesses

Higher portfolio concentration among top borrower groups and depositors

Deposit concentration remains relatively elevated, with the top 20 institutional depositors accounting for ~32% and ~28% of total deposits as of mid-July 2025 and mid-April 2026, respectively. Nevertheless, some comfort is derived from the quality of these depositors, which include government-related entities and well-established corporates, indicating relatively stable funding sources despite the concentration risk. On the asset side, borrower concentration is also notable. The top 20 single borrowers constituted ~22%–23% of total advances as of mid-July 2025 and mid-April 2026, while exposure to the top 20 borrower groups remained higher at ~33%–34% of total advances as of FY25 and 9MFY26. This level of concentration exposes the bank to heightened credit risk, as stress in a few large accounts could materially impact asset quality. Additionally, the bank's significant exposure to the corporate segment, which accounted for ~54% of the advances portfolio as of mid-April 2026, further amplifies this risk. Therefore, a more diversified portfolio concentration is preferable to mitigate such risks.

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). EBL had 133 branches along with head office as on same date. Industry (Class A Commercial Banks) had achieved net interest income of Rs. 141 Bn during 9MFY26, where EBL's share on net interest income was 4.81%. 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

Everest Bank Limited (EBL), an "A" Class Licensed Institution from Nepal Rastra Bank (NRB), listed on Nepal Stock Exchange, was incorporated on October 16, 1994 and obtained license to operate as an "A" class commercial bank from NRB on April 26, 2006. EBL is a joint venture with PNB with 20.02% equity stake held by PNB. EBL also has a Technical Service Agreement (TSA) with PNB, which is renewed every five years and was recently renewed on Nov, 2021. The bank has an asset size of Rs. 378,694 Mn as on April 13, 2026.

(Rs. in Mn)

Brief Financials	FY23 (A)	FY24 (A)	FY25 (A)	9MFY26 (UA)
Total Income	24,025	24,700	23,241	17,268
PAT	3,362	3,703	4,840	3,329
Total Assets	250,689	295,744	363,639	378,694
GNPL (%)	0.79	0.71	0.38	0.61
NNPL (%)	0.37	0.26	0.09	0.22
ROTA (%)	1.41	1.36	1.47	1.20

A: Audited; UA: Unaudited

About CARE Ratings:

CARE Ratings Nepal Limited (CRNL) is licensed by the Securities Board of Nepal w.e.f. November 16, 2017. CRNL is supported by CARE Ratings Limited through a technical services agreement to provide technical support in the areas such as rating systems and procedures, methodologies, etc. from CARE Ratings on an ongoing basis. The technical support shall ensure that CRNL has adequate resources to provide high quality credit opinions in Nepal.

Our parent company, CARE Ratings Limited commenced operations in April 1993 and over three decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI).