Kumari Bank Limited: Ratings upgraded to [ICRANP-IR] BBB- and [ICRANP] LBBB-

October 15, 2026

Summary of rating action

Facility/Instrument*	Rated Amount	Rating Action
Issuer rating	NA	[ICRANP-IR] BBB-; upgraded from [ICRANP-IR] BB+
Subordinated Debentures	NPR 6,000 million	[ICRANP] LBBB-; upgraded from [ICRANP] LBB+

** Instrument details are presented in Annexure-1*

Rating Action

ICRA Nepal has upgraded the issuer rating of Kumari Bank Limited (KBL) to [**ICRANP-IR] BBB-** (pronounced ICRA NP Issuer Rating Triple B Minus) from [ICRANP-IR] BB+ (pronounced ICRA NP Issuer Rating Double B Plus). Issuers with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such issuers carry moderate credit risk. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any particular debt instrument. The sign of + (plus) or – (minus) appended to the rating symbols indicate their relative position within the rating categories concerned.

ICRA Nepal has also upgraded the bank's subordinated debentures ratings to **[ICRANP] LBBB-** (pronounced ICRA NP L Triple B Minus) from [ICRANP] LBB+ (pronounced ICRA NP L Double B Plus).

Rationale

The ratings upgrade mainly factors in the sequential improvements in the bank's capitalisation profile over last two years, with tier-I capital improving to 9.87% as of mid-July 2026 (7.70% as of mid-July 2024), marking a meaningful reversal from capitalisation pressures. While the continued asset quality pressures continue to remain a key concern, quantum of incremental pressures is expected to gradually moderate and the current capital cushion is expected to remain adequate to help absorb the expected incremental shocks. The ratings also take comfort from the bank's improved profitability in FY2026, reflected in return on assets (ROA) and return on net worth (RONW) of 1.58% and 17.98% respectively. This improvement was mainly driven by sizable reversal of credit provisions, which has helped to partly offset the impact of the moderation in net interest margins (NIMs) during the year. The ratings also remain supported by the bank's comfortable liquidity (net liquid assets to total deposit ratio (NLA) of ~40% and credit to deposit ratio (CD) of ~77% as of mid-July 2026) and its improving CASA (current and saving account) mix and hence cost of funds. Further, the bank's long operational track record (since 2001), its decent market positioning and experienced board/management team continue to comfort the ratings.

Nonetheless, the ratings remain constrained by the continued stress in the bank's asset quality as reflected by high net non-performing assets (NPA) of 1.99% and 0+ days delinquencies (DPDs) of ~22% as of mid-July 2026 (rising from 0.74% and ~19% as of mid-July 2025, as available during the last rating exercise). The higher share of NPAs in lower provisioning buckets has led to reduced provision coverage, resulting in an increased net NPA to net worth to ~13% from ~6% over the same period, thereby increasing the potential impact of further credit losses on the bank's net worth. Rating concerns also stem from the elevated concentration of the top-20 borrower groups, accounting for ~25% of loan portfolio as of mid-July 2026. While the bank's retail and SME portfolio provides some diversification (~41% of total advances), high concentration towards large borrower groups exposes the bank to potential asset quality and capitalisation stress, in the event of defaults by a few sizeable borrowers. Further, any macroeconomic uncertainties, stringent working capital regulations, volatility in market liquidity and interest rates, and the current uncertain geopolitical environment could weigh on borrowers' repayment capacity and the bank's overall credit profile, thereby constraining the ratings.

Going forward, the bank's ability to improve its asset quality and sustain the improvement in profitability and capitalisation profile will remain the key rating sensitivities.

Key rating drivers

Credit Strengths

Improved capitalisation and comfortable liquidity profile – The bank reported overall capital to risk-weighted asset ratio (CRAR) of 13.50% and tier-I capital of 9.87% as of mid-July 2026 (12.98% and 8.94% during last rating), marking sustenance of improvements reported during FY2025, with tier-I now remaining consistently above the regulatory requirement of 8.5% since mid-July, 2025. The bank also has a comfortable liquidity position, with NLA ratio of ~40% and a regulatory CD ratio of ~77% as of mid-July 2026 (against the regulatory floor and cap of 20% and 90% respectively).

Largely steady operating profits along with provision reversals aided FY2026 profitability – KBL's profitability improved in FY2026, with ROA and RONW reaching 1.58% and 17.98% respectively (0.5% and 5.87% for FY2025). This improvement was aided by largely steady core operating profits (~1.9-2.0% of average total assets for FY2024-2026), while the sizable reversal of credit provisions during FY2026 (as opposed to sizable credit costs in earlier years), provided further support. The bank was able to report reversal of credit provisions despite the increase in reported NPAs owing to higher than regulatory provisioning maintained in certain large non-NPA accounts, which were freed up, while the absolute provisions for NPAs have increased in quantum. However, the steady moderation in NIMs (albeit largely in line with industry wide phenomenon), which declined to 2.57% in FY2026 from 2.73% in FY2025, remains an area of concern. While the improved earnings supported the overall internal capital generation during the year, sustainability of the profitability profile will depend on the bank's ability to maintain earnings from core operations, amid continued asset quality pressures.

Long track record and diverse branch network – The bank has a long track record of operations (since 2001) in the Nepalese banking industry. Post-merger with Nepal Credit and Commerce Bank in January 2023, KBL's network coverage has improved, which could aid in diversified growth over the longer term, when the overall credit demand improves from current levels. The bank's experienced board/seasoned management team also remains a positive.

Credit Challenges

Sustained asset quality stress and weakening provision coverage – KBL's asset quality indicators deteriorated further during FY2026, with gross NPA increasing to 8.83% as of mid-July 2026 from 6.42% as of mid-July 2025, during last rating (despite writing off ~5% of opening NPAs), while the 0+ DPD also increased to ~22% from ~19%, reflecting continued stress in loan portfolio and indicating potential for further slippages. Further, the increased share of NPAs in lower provisioning buckets has weighed on the provision coverage, resulting in a rise in the solvency position (net NPA to net worth) to ~13% from ~5% over the same period. The bank's ability to control incremental slippages and recover from the existing NPAs amid the continuation of unfavourable operating/economic environment, will remain crucial for its incremental profitability and capitalisation indicators and therefore remains a key rating sensitivity. While the bank did not have direct major exposure in the recent devastating flooding events, indirect impact on business/credit profile of related borrowers/industries could also add up to the asset quality stress to an extent, which also remains to be seen. Incremental trends in performance of bank's exposure in key borrower groups, which have been facing liquidity pressures across some entities as well as borrower group under legal scrutiny would also remain monitorable.

Portfolio concentration – The bank's credit portfolio continues to remain concentrated, with the top-20 customers accounting for ~25% of total loan portfolio and ~204% of tier-I capital as of mid-July 2026 (~22% and ~194% respectively as of mid-July 2025 during the last rating exercise). This exposes the bank to risk of further impairment in its asset quality profile in the event of distress amongst top borrowers/groups. The deposit concentration among top-20 depositors also remains moderate at ~24% of total deposits as of mid-July 2026 (~26% as of mid-July 2025, when last rated).

Regulatory risk and difficult operating environment – The banking industry and banking sector borrowers continue to remain under pressure since H1FY2022, following the withdrawal of Covid-relaxations and introduction of new stringent regulations (mainly the working capital guidelines) curbing fresh credit creation across the banking industry. As most of the borrowers are yet to achieve the level of deleveraging envisaged by the working capital regulations, there remains a strong liquidity pressure across the borrower universe, which is partly reflected in increased asset quality stress for banks (industry average gross NPAs of 5.56% as of mid-July 2026 as against 4.44% as of mid-July 2025) and hence remains a rating concern across the banking industry. Improvement in operating environment with a policy level stability is expected following last year's elections, wherein a single party obtained a clear majority, which remains positive for the banking industry and its borrowers. Nonetheless, the incremental operating environment also remains exposed to the headwinds of the ongoing and escalating middle-east tensions. Whilst the near-term impact is expected to be seen in fuel, energy, transportation, supply chain and tourism sector and uptick in inflation, long term escalation of the middle east tensions might have impact the deposit profile of the banks and overall economy as remittance from middle east Asian countries form a key source of deposits/forex and a key driver of consumption driven domestic economy.

Rating sensitivities

Positive factors – The ratings could be upgraded in case of notable improvements in asset quality while sustaining the recent improvements in overall profitability and capitalisation profile.

Negative factors – Further sharp deterioration in asset quality, failure to maintain the regulatory minimum capital and liquidity requirements would create a negative pressure on the bank's credit profile.

Analytical approach: For arriving at the ratings, ICRA Nepal has applied its rating methodologies as indicated below.

Links to the applicable criteria:

Bank Rating Methodology
Issuer Rating Methodology

Link to the last rating rationales:

Credit Update on the impact of the recent devastating floods in Nepal
Rationale_Kumari Bank Limited_Issuer and Debenture Rating Surveillance_September 2025

Bank Profile

Incorporated in 2001, Kumari Bank Limited (KBL) has undertaken multiple merger and acquisitions with various financial institutions over the years. With these mergers and acquisitions (recent one being the merger in January 2023 with Nepal Credit and Commerce Bank Limited), the bank has become a decent-sized commercial bank of Nepal in terms of asset base and market share. KBL reported profit after tax (PAT) of NPR 7.3 billion during FY2026 over an asset base of NPR 491,681 million. As on the same date, KBL's CRAR was 13.50% (tier-I CRAR of 9.87%) and gross NPAs were 8.83%. In terms of the technology platform, KBL has implemented Finacle across all its branches. The bank's shares are listed on the Nepal Stock Exchange.

Key financial indicators

Year ending on	Mid-July 2022	Mid-July 2023	Mid-July 2024	Mid-July 2025	Mid-July 2026
	(Audited)	(Audited)*	(Audited)	(Audited)	(Audited)
Net interest income - NPR million	6,217	11,066	10,803	11,622	12,013
Profit before tax - NPR million	3,594	1,002	999	5,235	10,309
Profit after tax - NPR million	2,580	518	5	1,820	7,363
Gross loans - NPR million	159,444	289,388	293,415	292,313	302,386

Year ending on	Mid-July 2022 (Audited)	Mid-July 2023 (Audited)*	Mid-July 2024 (Audited)	Mid-July 2025 (Audited)	Mid-July 2026 (Audited)
Total assets - NPR million	212,108	380,525	409,453	441,684	491,681
Operating ratios					
Yield on average advances	10.98%	14.37%	12.46%	9.88%	7.80%
Cost of deposits	6.35%	8.35%	7.52%	5.09%	3.53%
Net interest margin/ATA	3.09%	3.73%	2.74%	2.73%	2.57%
Non-interest income/ATA	0.87%	0.69%	0.72%	0.76%	0.74%
Operating expenses/ATA	1.77%	1.34%	1.47%	1.45%	1.41%
Credit provisions/ATA	0.40%	2.74%	1.73%	0.81%	-0.30%
PAT/ATA	1.28%	0.17%	0.00%	0.43%	1.58%
PAT/net worth	12.93%	1.84%	0.01%	5.06%	17.98%
Gross NPAs	1.11%	4.96%	5.96%	6.95%	8.83%
0+ days delinquencies	13.45%	20.13%	20.78%	18.93%	22.55%
Capitalisation ratios					
Capital adequacy ratio	12.63%	12.11%	11.42%	12.31%	13.50%
Tier-I Capital	9.83%	8.13%	7.70%	8.51%	9.87%
Net NPAs/net worth	2.10%	11.12%	11.32%	5.87%	13.42%
Liquidity ratios					
Total liquid assets/total liability	22.63%	22.37%	28.26%	34.58%	38.18%
Total advances/total deposits	86.58%	86.03%	79.59%	72.30%	69.34%

** For FY2023, the pre-merger performance of the erstwhile Nepal Credit and Commerce Bank Limited were directly adjusted in the retained earnings of the merged entity, which also resulted in moderation of profitability ratios.*

Annexure-1: Instrument details

Instrument	Amount (NPR million)	Expiry	Rating Action
10.25% KBL Debenture 2086	3,000	February 1, 2030	[ICRANP] LBBB-; upgraded from [ICRANP] LBB+
9.5% NCC Debenture 2086	3,000	April 8, 2031	
Total	**6,000**		

Analyst Contacts

Mr. Rajib Maharjan (Tel No. +977-1-4519910/20)
rajib@icranepal.com

Mr. Prabin Humagain (Tel No. +977-1-4519910/20)
prabin@icranepal.com

Relationship Contacts

Ms. Barsha Shrestha (Tel No. +977-1-4519910/20)
barsha@icranepal.com

About ICRA Nepal Limited

ICRA Nepal Limited, the first credit rating agency of Nepal, is a subsidiary of ICRA Limited (ICRA) of India. It was licensed by the Securities Board of Nepal (SEBON) on October 3, 2012. ICRA Nepal is supported by ICRA Limited through a technical support services agreement, which envisages ICRA helping ICRA Nepal in areas such as rating process and methodologies, analytical software, research, training, and technical and analytical skill augmentation.

Our parent company, ICRA Limited, was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment information and credit rating agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies.

For more information, visit www.icranepal.com

ICRA Nepal Limited
Sunrise Bizz Park, 6th Floor, Dillibazar, Kathmandu, Nepal.
Phone: +977-1-4519910/20
Email: info@icranepal.com
Web: www.icranepal.com

All Rights Reserved.
Contents may be used freely with due acknowledgement to ICRA Nepal.

ICRA Nepal ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. The ICRA Nepal ratings are subject to a process of surveillance which may lead to a revision in ratings. Please visit our website (www.icranepal.com) or contact ICRA Nepal office for the latest information on ICRA Nepal ratings outstanding. All information contained herein has been obtained by ICRA Nepal from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA Nepal in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. All information contained herein must be construed solely as statements of opinion and ICRA Nepal shall not be liable for any losses incurred by users from any use of this publication or its contents.