

## PRESS RELEASE

### NIC ASIA BANK LIMITED

June 2026

#### Ratings

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BBB-(Is) @*	Downgraded from IRN BBB (Is) and continuation of rating watch with negative implications
<b>Total</b>	<b>NA</b>		

\* The symbol '@' indicates [Rating watch with negative implications](#)

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has downgraded the issuer rating of NIC Asia Bank Limited (NICA) to IRN BBB- (Is) [Triple B Minus (Issuer)] from IRN BBB (Is) [Triple B (Issuer)]. Also, the rating continues to remain on rating watch with negative implications. Issuers with this rating are considered to have the moderate degree of safety regarding timely servicing of financial obligations. Such issuers carry moderate credit risk.

#### Detailed Rationale

The rating downgrade along with the continuation of the 'Rating Watch with Negative Implications' of NICA, primarily reflects the sharp deterioration in profitability and asset quality during FY25. NICA reported significant losses of NPR 3,872 Mn in FY25 against NPR 701 Mn profit in FY24, driven by stagnant total income (de-growth of ~26%) and a ~95% surge in impairment charges, amid rising stress in its loan book, with Gross Non-Performing Assets (GNPA) increasing to ~8.74% in FY25 from ~3.45% in FY24 (8.85% in Q3FY25). The rating also takes note of 30+ days delinquency surging to ~19.43% in FY25 from ~8.78% in FY24 adversely impacting the bank's solvency profile, with Net NPL to Tangible Net Worth (TNW) rising to ~20.18% in FY25 from ~13.99% in FY24. The rating also considers NICA's weakened capital position, with Capital Adequacy Ratio (CAR) of 11.44% and inadequate Core Equity Tier-I (CET-I) ratio of 6.87% as of mid-July 2025, as against the regulatory minimums of 11% and 8.5%, respectively, limiting its capacity to grow its credit portfolio. As a result, both advances and deposits contracted in FY25 by ~10% and ~15%, respectively. Additionally, the bank's inability to redeploy incremental deposits into high-yielding assets and the shift towards low-yield government securities, coupled with decrease in scale of operations led to a compression in net interest margins (2.59% in FY25 vis-à-vis 2.78% in FY24), further weighing down income and profitability.

Nonetheless, the ratings continue to derive comfort from NICA's strong ownership profile, its long-standing operational history since 1998, and a qualified and experienced management team. The rating also factors in the bank's granular credit portfolio, with exposure to the top 20 borrowers limited to ~5% during Q3FY26 and FY25. The investment portfolio remains secure, with ~90% allocated to risk-free government treasury bills as of FY25, reflecting a conservative and low-risk investment strategy. Further, NICA's credit portfolio remains well-diversified and fully compliant with regulatory directives, with ~31% of total loans disbursed towards the priority sector as of mid-April 2026. The rating also considers NICA's extensive geographical footprint, comprising 316 branches and 104 extension counters as of June 2026 across all seven provinces, supporting its outreach and customer base. The rating also takes a positive note of satisfactory liquidity indicators with net liquid assets to total deposits ratio of ~23% and a credit-to-deposit ratio of ~69% as of Mid-April 2026. Additionally, the liquidity profile remains comfortable, with no cumulative asset-liability mismatch across any maturity bucket within the 0-365-day horizon. The rating also takes positive note of increased CASA proportions (~40% in FY25 vis-à-vis ~28% in FY24), as it supports a lower cost of funds (5.21% in FY25 vis-à-vis 7.94% in FY24) enhancing the sustainability of core spreads, enabling the institution to retain a larger proportion of its top line earnings.

Going forward, the bank's ability to improve its asset quality alongside financial profile, maintain adequate cushion in capitalization levels from the minimum regulatory requirement levels via timely issuance and subscription of 2:1 right issuance, maintain a stable liquidity profile and manage impact of other regulatory changes by NRB would remain key rating sensitivities.

## Detailed Description of Key Rating Drivers

### Key Rating Strengths

#### **Diversified credit portfolio and improved depositor granularity**

NICA has been disbursing loans across a wide range of sectors, including consumption, wholesale and retail trade, agriculture and forest-related activities, finance, insurance, and real estate. As of the mid-April 2026, the loan composition reflects ~34% towards consumption loans, ~23% to the wholesale and retail sector, and ~9% to agriculture and forest-related activities. Notably, the bank has increased its exposure to the construction sector, with lending rising to ~10% in Q3FY26 from ~6% at the end of FY24, indicating a strategic shift towards this segment. In parallel, the granularity of NICA's deposit base has improved, with a decline in concentration among large depositors. The proportion of deposits held by the top 10 institutional depositors reduced to ~15.62% in Q3FY26 from ~15.53% in FY25 and ~19.95% in FY24, while the share of the top 10 individual (natural) depositors declined to ~1.53% from ~1.89% over the same period, reflecting a more stable and diversified funding profile. Also, the rating factors in the bank's granular credit portfolio, with exposure to the top 20 borrowers limited to ~5% during Q3FY26 and FY25.

#### **Satisfactory liquidity Profile and robust investment portfolio**

NICA has maintained satisfactory liquidity profile with healthy net liquid assets to total deposits ratio of ~23% and a credit-to-deposit ratio of ~69% as of Mid-April 2026. Also, NICA has maintained adequate CRR and SLR of 4.35% and 42.50% respectively as of Mid-April 2026 (5.48% and 33.26% as of FY25). CRR and SLR is in compliance with NRB norms of 4% and 12% respectively. Despite, NICA's CASA reaching ~40% in FY25 and ~56% in Q3FY26, the liquidity profile remains comfortable, with no cumulative asset-liability mismatch across any maturity bucket within the 0-365-day horizon. The improvement in CASA deposits, coupled with adequate liquidity buffers, is a credit positive, as it supports a lower cost of funds and enhances the sustainability of core spread. In addition, NICA has a robust and diversified investment portfolio of NPR 54,953 Mn at the end of Q3FY26 vis-à-vis NPR 49,754 Mn in FY25, compared to NPR 61,284 Mn in FY24 and NPR 37,039 Mn in FY23. Of this, a significant portion amounting to NPR 53,768 Mn (FY25: NPR 44,625 Mn and FY24: 56,520 Mn) was allocated to government securities, including treasury bills and bonds issued by the Government of Nepal and Nepal Rastra Bank, thereby providing NICA a robust and secure investment portfolio.

#### **Long track record of operations, diversified geographical coverage with experienced promoters and management team**

Established in the year 1998, NIC Asia Bank has a strong presence in Nepal with 316 branches, 104 extension counters, 33 branchless banking and 643 ATMs as on Mid-June 2026 covering all the Provinces in Nepal. The bank's profile derives strength from its strong promoters who are well experienced in the banking, insurance, manufacturing, import and export, trade sectors, etc. NIC Asia is managed under the overall guidance of the bank's board of directors which includes eminent Businessmen/Industrialists with wide experience in the financial services. Mr. Ashok Kumar Agrawal, Chairman, has experience of more than five decades in import export, banking and business sectors. The senior management team is experienced and is headed by Chief Executive Officer Mr. Sujit Kumar Shakya who has decades of managerial experience. He is aptly supported by an experienced management team.

## Key Rating Weaknesses

### Inadequate CET-I ratio

The capitalization levels of NICA remain modest with overall CAR of 11.45% and 11.44% in FY25 and mid-April 2026 against industry average of 12.53% in Q3FY26 and 12.90% in FY25, with thin cushion against the regulatory requirement of 11%. Furthermore, the CET-I ratio deteriorated to 6.48% in Q3FY26 from 6.87% in FY25 against minimum requirement of 8.5% (8.29% in FY24). These ratios (particularly CET-I ratio) are significantly below the regulatory requirement which have curtailed NICA's credit portfolio expansion as exhibited by dwindling advances and deposits during FY25. The decline in capitalization is primarily driven by the significant rise in the Gross Non-Performing Loan (GNPL) ratio, which has increased the bank's exposure to high-risk assets and consequently exerted substantial pressure on its capital adequacy position. In addition, profitability weakened considerably, with NICA reporting significant of ~NPR 3.8 Bn during FY25 and modest PAT of ~NPR 140 Mn in Q3FY26, substantially limiting internal capital generation and eroding the bank's capital base. However, supplementary capital is adequate during FY25-26 supported by the issuance of a new debenture, "NICD91," and excess amount of general LLP's which contributed to strengthening the bank's overall capital base. Furthermore, the AGM concluded recently resolved to proceed with 2:1 right share issuance which is expected to support the core capital and ultimately its CAR, thus the timely issuance and successful subscription of right issuance remains key rating monitorable.

### Decline in scale of operations leading to reduced income profile

NICA's earnings profile remained under significant pressure during FY25 and Q3FY26, reflecting a sustained contraction in business volumes and profitability. Total income declined by ~26% to NPR 30.54 Bn in FY25 from NPR 41.36 Bn in FY24 and further reduced to NPR 19.0 Bn by Q3FY26, representing an annualized decline of ~17%. The weakening income profile was primarily driven by a sharp reduction in lending yields (9.15% in FY25 versus 11.83% in FY24) amid industry-wide excess liquidity and a deliberate contraction of the loan portfolio to contain asset quality risks, with gross advances declining by ~10% in FY25 and a further ~7% by Q3FY26. Although lower interest rates and a higher CASA mix reduced the cost of funds to 5.21% from 7.94%, net interest income declined by ~5% in FY25 and ~17% in Q3FY26, while NIM moderated to 2.59% from 2.78% in FY24 and 3.39% in FY23. Non-interest income also decreased by ~35%, largely due to lower dividend earnings and reduced fee-based income stemming from subdued credit disbursements under a conservative lending strategy. While operating expenses remained largely contained, elevated impairment charges on loans and other assets significantly weakened profitability, resulting in a sharp deterioration in earnings, with the bank reporting a substantial loss in FY25 and ROTA declining to negative 1.0% from 0.14% in FY24.

### Rapid slippages in asset quality

NICA's asset quality profile has witnessed significant deterioration over FY25-26, with the gross NPL ratio increasing sharply to ~8.74% as of Mid-July 2025 and further to ~8.85% as of Mid-April 2026, compared to ~3.45% in FY24. The stress is further reflected in the substantial rise in the 30+ days delinquent portfolio, which increased to ~30.49% of total advances as of Mid-April 2026 from ~19.43% as of Mid-July 2025 and 8.78% in FY24, indicating elevated latent asset quality risks and potential future slippages. Consequently, credit impairment charges rose significantly to ~NPR 9,714 Mn in FY25 from ~NPR 4,984 Mn in FY24, accounting for nearly one-third of total income and exerting considerable pressure on profitability. Provisioning expenses remained elevated at ~NPR 2,914 Mn during 9MFY26, underscoring the continued asset quality challenges. Furthermore, the provision coverage ratio moderated to ~93% in FY25 from ~98% in FY24, indicating relatively lower loss-absorption buffers against the rising stock of impaired assets. Such rapid slippages have adversely impacted the bank's solvency profile, with Net NPL to Tangible Net Worth (TNW) rising to ~20.18% in FY25 from ~13.99% in FY24. Going forward, NICA's ability to improve asset slippages and expand its loan portfolio remains key rating monitorable.

## Intense competition

Currently there are 20 Commercial Banks, 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). NIC Asia had 360 branches along with head office as on same date. Industry (Class 'A' Commercial Banks) has achieved total interest income of ~NPR 339 Bn during Q3FY26 with ~NPR 142 Bn net interest income; NIC Asia's share on interest income is 5.11% (~NPR 17.31 Bn) and net interest income is 4.32% (~NPR 6.13 Bn). During FY25, NIC Asia's share on interest income is 5.76% (NPR 28.67 Bn) and 5.30% share on net interest income (NPR 10.12 Bn) for the same period. The market share of NIC Asia has reduced from 6.47% and 5.35% in FY24 in terms of interest income and net interest income respectively. Due to emergent competition it is challenging to recruit and retain skilled manpower. Unhealthy competition in the interest rates is the prominent challenge. New technology based services and its growing demand among customers is fresh challenges for Nepalese banking sector.

**Analytical Approach:** Standalone

## Applicable Criteria:

[Issuer Rating Methodology](#) & [Bank Rating Methodology](#)

## Link to Past Rating Rationale:

[NIC Asia Bank Limited: Issuer Rating Downgraded and continues to be placed on watch with negative implications](#)

## About the Company:

Incorporated in May 1997 as Nepal Industrial & Commercial Bank Ltd., NICA was later merged with Bank of Asia Nepal Ltd. on June 30, 2013 and was renamed as NIC Asia Bank Limited. It is a 'A' class Commercial Bank licensed from Nepal Rastra Bank (NRB). As of July 16, 2025, 93.07% of the bank's stake is held by individual shareholders and 6.93% by corporate entities with the promoter: public stake of 51:49. The bank has been certified by the International Organization for Standardization (ISO) and is accredited with ISO 27001: 2013 (Information Security Management System).

## Financial Indicators (Standalone)

For the year ended* As on	In NPR Mn			
	FY23 Audited	FY24 Audited	FY25 Audited	Q3FY26 Unaudited
Interest Income	38,373	38,521	28,691	17,488
Total Income	41,540	41,358	30,539	19,044
Interest Expenses	26,114	27,758	18,560	11,180
Net Interest Income	12,259	10,763	10,131	6,308
Profit After Tax	4,445	701	(3,872)	140
Deposits	311,368	354,127	319,066	334,375
Advances (Gross Figure)	277,544	291,896	247,733	232,265
Total Assets	364,089	410,468	372,523	383,769
<b>Ratios</b>				
Interest Rate Spread (%)	1.89	1.84	2.17	3.81
CASA (%)	38.88	28.09	39.66	56.20
Total CAR (%)	13.36	11.03	11.44	11.45
Tier-I Capital (%)	9.46	8.29	6.87	6.48
Gross NPL to Gross Advances (%)	0.88	3.45	8.74	8.85
Provision Coverage Ratio (%)	237.85	98.43	92.77	114.59
Cost of Funds (%)	8.06	7.94	5.21	4.24

For the year ended* As on	FY23	FY24	FY25	Q3FY26
	Audited	Audited	Audited	Unaudited
Credit to Deposit Ratio (%)	89.14	82.43	77.64	69.46
Net Liquid Assets to Total Deposit (%)	22.23	24.09	24.21	23.30

\* Classification as per Infomerics Nepal Standards

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## About Infomerics Credit Rating Nepal Limited:

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