

**A COMPARATIVE ANALYSIS BETWEEN NABIL BANK &
EVEREST BANK LIMITED IN THE FRAMEWORK OF CAMELS
RATING SYSTEM**

A THESIS

**Submitted By:
SUJIT SILWAL
Nepal Commerce Campus
Roll No: 732/ 061
T.U. Registration No: 5-1-22-799-97
MBS II S.N: 1919/063**

**Submitted To:
Office of the Dean
Faculty of Management
Tribhuvan University**

**In partial fulfilment of the requirements for the degree of
Masters of Business Studies (M.B.S.)**

**New Baneshwor, Kathmandu
November, 2008**

RECOMMENDATION

This is to certify that the Thesis

Submitted by

Sujit Silwal

Entitled

**A COMPARATIVE ANALYSIS BETWEEN NABIL BANK & EVEREST BANK
LIMITED IN THE FRAMEWORK OF CAMELS RATING SYSTEM**

has been approved by this department in the prescribed format of Faculty
of Management. This thesis is forwarded for examination.

.....
(Dr. Bihari Binod Pokharel)
Head of Research Department/Thesis Supervisor

.....
(Mr. Diwakar Pokhrel)
Campus Chief

Date:

VIVA VOCE SHEET

We have conduct the viva voce examination of this thesis presented by

Sujit Silwal

Entitled

**A COMPARATIVE ANALYSIS BETWEEN NABIL BANK & EVEREST BANK
LIMITED IN THE FRAMEWORK OF CAMELS RATING SYSTEM**

And found the thesis to be original work of the student written in accordance with the prescribed format. We recommend the thesis to be accepted as the partial fulfillment of the requirement for the degree of Masters in Business Studies (M.B.S).

Viva Voce Committee

Chairperson, Research Committee

Member, (External Expert)

Member, (Thesis Supervisor)

Member, (Thesis Supervisor)

Date:

DECLARATION

I hereby declare that the work reported in this thesis entitle “A Comparative Analysis Between Nabil Bank & Everest Bank Limited In The Framework Of Camels Rating System” submitted to Nepal Commerce Campus, New Baneshwor Faculty of Management, Tribhuwan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Masters of Business Studies under the supervision of Dr. Bihari Binod Pokharel, Head of the Research Department, Nepal Commerce Campus, TU.

Date:

SUJIT SILWAL

Nepal Commerce Campus

Roll No: 732(2061-063)

T.U. Registration No: 5-1-22-799-97

MBS II S.N: 1919/063

ACKNOWLEDGEMENTS

As the partial fulfillment of the MBS degree, I have prepared this report. During the course, I worked with sincerity, honesty and diligently, as far as possible. But beside my continual efforts, I also got unforgettable support from different people and parties. I am extremely grateful and overwhelmed by their support while completing my work.

Firstly, I owe a debt of gratitude to my respected thesis Supervisor Dr. Bihari Binod Pokharel, Head of the Research Department, Nepal Commerce Campus. Their valuable support for the preparation of proposal to thesis is really praise worthy things. I am extremely indebted by their efforts despite of their busy schedule.

I would also like to express my gratitude to all other member of Nepal Commerce Campus, especially, staffs from MBS department, libraries staffs as well as known and unknown people who supported as well as inspired me to complete this thesis. My next thanks goes to Mr. Umesh Koirala, Mr. Madan Kadel lecture of Nepal Commerce Campus for his valuable information and suggestion.

It is my pleasure to thank my well-wisher Mr. Nabin Kumar Gaire, Mr. Kumar Bhandari, Mr. Janak Timilsena, Mr. Mohan Dahal, Mr. Hari Bhattarai, Mr. Rakesh Sanjel other friends who have supported me in different ways.

Lastly, my heartiest thank goes to my family members and college staffs along with classmates who have supported me by providing consistent help and encouragement.

Advices, Recommendation and Suggestions are whole heartedly welcome.
Thanks.

Sujit silwal
Researcher
Nepal Commerce Campus
Roll no.: 732/061
sujitsilwal@hotmail.com

TABLE OF CONTENTS

VIVA- VOCE SHEET
RECOMMENDATION
DECLARATION
ACKNOWLEDGEMENTS
TABLE OF CONTENTS
LIST OF TABLES
LIST OF CHART
ABBREVIATIONS

	Page No.
CHAPTER I: INTRODUCTION	1-6
1.1 Background of the Study	1
1.2 Focus of the Study	3
1.3. Statement of the Problem	4
1.4. Objectives of the Study	5
1.5 Significance of the Study	5
1.6 Limitation of the Study	6
1.7 Organization of the Study	6
CHAPTER II: REVIEW OF LITERATURE	7-70
2.1 Conceptual Framework	7
2.1.1 Concept of Commercial Bank	7
2.1.2 Functions of Commercial Banks	8
2.1.3 Bank Supervision	10
2.1.4 Concept of "CAMELS" Bank Rating System	15
2.1.5 CAMELS Components	19
2.2 Review of Related Studies and Papers	54
2.2.1 Review of Research Work and Papers	54
2.2.2 Review of Dissertations	64

CHAPTER III: RESEARCH METHODOLOGY	71-80
3.1 Research Design	71
3.2 Nature and Sources of Data	71
3.3 Population and Sample	72
3.4 Data Collection Procedure	72
3.5 Data Processing	73
3.6 Data Analysis Tools	73
3.6.1 Financial Ratio Analysis Tools	73
3.6.2 Statistical Tools	78
3.7 Limitations of the Methodology	80
CHAPTER IV: DATA PRESENTATION AND ANALYSIS	81-123
4.1 Data Presentation and Analysis	81
4.1.1 Capital Adequacy	81
4.1.2 Asset Quality Analysis	87
4.1.3 Management Component Analysis	93
4.1.4 Earning Quality Analysis	98
4.1.5 Liquidity Component Analysis	105
4.1.6 Sensitivity to Market Risk	111
4.2 Major Findings of The Study	116
CHAPTER V: SUMMARY, CONCLUSION & RECOMENDATIONS	124-133
5.1 Summary	124
5.2 Conclusion	127
5.3 Recommendations	130
BIBLIOGRAPHY	
APPENDIX	

LIST OF TABLES

Table No.	Title	Page No.
4.1	Core Capital Adequacy Ratio	82
4.2	Supplementary Capital Adequacy	83
4.3	Total Capital Adequacy Vs NRB Standard & Industrial Average	85
4.4	Bank Asset Composition (in%)	88
4.5	Non Performing Loan Ratio. (Rs. In Millions)	90
4.6	Loan Loss Provisioning (%)	92
4.7	Total Operating Expenses to Total Operating Revenues Ratio	95
4.8	Earnings per Employee	97
4.9	Return on Equity	99
4.10	Return on Asset	100
4.11	Net Interest Margin	102
4.12	Earning Per Share Liquidity component Analysis	103
4.13	Liquid Assets to Total Deposit Ratio	105
4.14	NRB Balance to Total Deposit Ratio	108
4.15	Vault to Total Deposit Ratio	110
4.16	GAP Analysis of Nabil Bank Ltd.	113
4.17	GAP Analysis of Everest Bank Ltd.	114

LIST OF CHART

Chart No.	Title	Page No.
4.1	Core Capital Ratio	82
4.2	Supplementary Capital ratio	84
4.3	Total Capital Adequacy ratio	86
4.4	Non Performing Loan Ratio	91
4.5	Trend of Loan Loss Provision Ratio	93
4.6	Trend Analysis of Total Operating Expenses/ Total Operating Revenue Ratio	96
4.7	Earning per Employee TrendEarning Quality Analysis	97
4.8	Return on Equity Trend	99
4.9	NIM Trend and Level of Earning Assets	103
4.10	Earning Per Share	104
4.11	Trend of Liquid Asset to Total Deposits	107
4.12	NRB Balance/Deposit ratio vs Industrial Average	109
4.13	Cash at Vault/ Total Deposit Ratio Vs Industrial Average	111

ABBREVIATIONS

ALLL	:	Allowance for Loan and Lease Losses
APEC	:	Asia Pacific Economic Cooperation
BAFIO	:	Banks And Financial Institutions Ordinance
BIS	:	Bank for International Settlement
BCBS	:	Basel Committee of Banking Supervision
B.S.	:	Bikram Sambat
CAMELS	:	Capital, Asset, Management, Earnings, Liquidity, Sensitivity
CAR	:	Capital Adequacy Ratio
CGAP	:	Cummulative Gap
CV	:	Coefficient of Variation
DI	:	Depository Institution
EPS	:	Earning Per Share
EVE	:	Economic Value of Equity
EWS	:	Early Warning System
FDIC	:	Federal Deposit Insurance Corporation, USA.
FFIEC	:	Federal Financial Institutions Examination Council, USA
FI	:	Financial Institution
FY	:	Fiscal Year
IRR	:	Interest Rate Risk
HBL	:	Himalayan Bank Limited
NABIL	:	Nabil Bank Limited
NEPSE	:	Nepal Stock Echange
NIDC	:	Nepal Industrial Development Corporation
NIM	:	Net Interest Margin
NPA	:	Non-Performing Asset
NPL	:	Non Performing Loan
NRB	:	Nepal Rastra Bank
OCC	:	Office of the Comptroller of the Currency
PCA	:	Prompt Corrective Action
PLLL	:	Provision for Loan and Lease Losses
RBS	:	Rastriya Beema Sansthan
ROA	:	Return on Assets
ROE	:	Return on Equity
RSA/RSL	:	Risk Sensitive Assets/Liabilities
RWA	:	Risk Weighted Assets
SCOR	:	Statistical CAMELS Offsite Rating
SD	:	Standard Deviation
UFIRS	:	Uniform Financial Institutions Rating System