

TURNAROUND of Lumbini Bank (LUBL)
**A case of successful Financial Sector Reform from Indigenous Professional
Expertise and Initiative**

Nepal Rastra Bank (NRB) has released all of its sanctions via its letter dated 2066-12-15 to the Bank. NRB has noted significant improvement on Capital Fund Ratio, reduction in non-performing loan and gradual improvements on major financial. Now LUBL can open branches and expand all its banking activities as a healthy bank. It is also planning to extend some branches in the coming year.

LUBL has recorded one of the highest capital adequacy ratios in the industry. On Chaitra 2066, bank has 24.23% of Capital Adequacy which is the highest of capital adequacy of 26 commercial banks in the last quarter. NRB has recommended minimum of 10% of capital as minimum level for banks, based on Basel II standards. Capital Adequacy measures the ability of the banks to absorb the shocks in financial constraints or adverse economic situations and thus provides greater security and safety for all stakeholders.

LUBL has sound indicators in all kinds of credit and operational risks and has maintained a robust liquidity position which stands approximately 30% of deposit even in current difficult times. It has recovered more than 120 crores of cash from bad loan portfolio reducing NPA level from 40.54% to 4.66% in 4 years.

The key factors of turnaround/improvements at LUBL are:

1. Improvement in Capital Adequacy Ratio (Capital Fund Ratio) from negative 13.93% on Ashad 2063 to 24.23% on Chaitra 2066.
2. Improvement in Networth from negative 722 Million on Ashad 2063 to 1,449 Million on Chaitra 2066.
3. Reduction in Non Performing Loan (NPA), 40.54% on Chaitra 2062 to 4.66% on Chaitra 2066.
4. Improvement in Reserve Fund from negative -1,221 Million on Ashad 2063 to 155 Million on Chaitra 2066.
5. Sound liquidity position of around 30%, against NRB's requirement of 20% of deposit.

Bank has recognized the following factors as foundation behind this success:

- Highest ethical standard and professional values
- Total compliance to NRB regulations and international banking standard
- Good corporate governance and best practice on management

Bank has been able to become one of the safest banks for the depositors and investors. Bank is committed to provide responsible and secure banking in Nepal's financial market with reliable, simple and prompt service.

Reform process had started four years back with recruitment of a professional management team. This reform has been completed without any costs to state treasury with indigenous resources and initiatives. The reforms at LUBL are at root levels and were possible due to genuine and sincere efforts from all stakeholders.

LUBL takes the opportunity to thank all stakeholders including NRB for its continued support in the difficult period. LUBL also thanks the media friends for the responsible reporting as usual.