Profitability Position and Trend of Everest Bank Limited

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Abstracts

Commercial banks are the most crucial organizations for economic progress because they mobilize funds, provide credit facilities, and make investments. Commercial banks' profitability reveals their performance level, financial standing, and room for expansion. The purpose of this study is to evaluate Everest Bank Limited's (EBL) profitability condition and forecast the net profit after tax (NPAT) trend. The study relies on secondary data extracted from the Annual Reports of Everest Bank Limited for the fiscal years 2020/21 to 2024/25. The study employs a quantitative research design, and both descriptive and explanatory research approaches are adopted to achieve the research objectives. The profitability position of EBL is evaluated using the Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). Besides, the least square trend analysis is performed to predict the trend of NPAT for EBL. With only slight modifications in its profitability ratios for the fiscal years 2020/2021 through 2024/2025, the analysis concludes that Everest Bank Limited has a satisfactory profitability position. The average (ROA, ROE and NPM) as for bank was 1.17%, 12.23% and 15.53%. The analysis discovered that the profitability performance of this institution steadily improved from FY 2020/2021 all the way to FY 2024/2025 where FY 2024/25s ROE and NPM was at their max. The trend analysis (NPAT) indicates a steady increase in EBL's net profit after tax from the fiscal year 2025/2026 to FY 2029/2030. As analysed, Everest Bank Limited has a sound financial position and has availed adequate return from its asset, equity and sales for sustainable growth in profitability.

Keywords: Commercial Bank, Everest Bank Limited, Profitability Position, Return on Assets (ROA), Return on Equity(ROE), Net Profit Margin(NPM

Introduction

The banking and financial sector plays an important role in the economic development of every nation by mobilizing savings, allocating financial resources, facilitating investment, and promoting sustainable economic growth. Commercial banks act as important financial intermediaries that collect excess funds through deposits and channel them into profitable investments through the means of loans and advances. In addition to providing services for payments and settlements, banks also facilitate industrialization, business expansion, employment generation, and financial inclusion (Rose & Hudgins, 2021). Therefore, the performance and efficiency of commercial banks are important factors in determining the strength of a nation's financial system.

Profitability becomes an important objective for commercial banks because it has an immense importance in making them sustainable, increasing their capital, creating more shareholder wealth, and gaining customers' trust. The profitability of a bank makes it capable of handling any possible financial crisis, investing in technologies, opening branches, and meeting requirements of regulatory agencies. As per Koch et al. (2020), the profitability of a bank becomes an indication of how efficiently the management utilizes its resources and maintains a balance between risks and rewards. Usually, profitability of banks is measured through Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), and Net Profit After Tax (NPAT). There are various factors affecting the profitability of a bank. On the internal aspect, the factors include operating cost, quality of loan portfolio, deposit gathering, investments, capital structure, and management efficiency. On the external part, some of the factors include the inflation rate, change in interest rate, monetary policies, economic growth, and financial regulation among others. Out of all these factors, the most important ones are the total operating costs, loans and advances, deposits, and investments because they affect the profitability and efficiency of banks.

Everest Bank Limited (EBL) started its operations back in 1994 as a joint venture between Everest Bank Limited and Punjab National Bank of India. Since then, it has become one of the leading commercial banks in Nepal with high proficiency in terms of deposits as well as loans despite stiff competition within the banking industry. Everest Bank Limited is well-known for its customer-oriented and innovative services. It was among the first banking institutions in Nepal that introduced ATMs, tele-banking services, premier saving schemes, unique cards and millionaire deposit schemes, among other innovative services, that contributed towards the modernization of the Nepalese banking sector. Currently, it boasts a huge customer base of more than 1.5 million people using a wide network of 133 branches, 159 ATM counters, 33 revenue collection counters and 4 extension counters. All these offices are interconnected using the Any Branch Banking System (ABBS), making transactions easy across all branches within the country.

The statement of the problem is a clear description of the specific issue or gap that the researcher intends to investigate. It explains why the problem exists, why it is important, and how it affects the study area.The problem of the article is ,"What is the profitibality position of Everest bank?". The objectives of the study are clear statements that describe what the researcher intends to achieve through the research. They provide direction for data collection, analysis, and interpretation by focusing on the expected outcomes.The main objective of the article is to exemine the profitibality position of Everest Bank Limited and to assess the trend analysis of Net-profit of Everest Bank Limited.

This study is reviewed through conceptual as well as empirical review. Out of which, according to Gupta and Kumar's (2021) findings, banks with sufficient capital tend to be more profitable since it enhances their ability to tolerate risk and maintain financial stability. Additionally, Sharma and Shrestha (2020) discovered that Nepalese commercial banks' profitability is positively impacted by capital adequacy. Numerous studies have used financial statistics including ROA, ROE, and net interest margin to analyze profitability in Nepal. After analyzing the profitability of Nepalese commercial banks, Mishra et al. (2021) came to the conclusion that variances in bank profitability can be explained by differences in lending practices, operational efficiency, and investment management.

Methodology

The study follows the positivist research paradigm, which assumes that reality is objective and can be measured through observable facts and statistical analysis. This study adopts a quantitative research approach using both descriptive and explanatory research designs. The population of the study consists of all commercial banks licensed by Nepal Rastra Bank operating in Nepal. For this study, Everest Bank Limited has been selected as the sample through judgemental sampling**.** The study is based entirely on secondary data which are derived from annual report of Everest Bank Limited.

This study is confined to examine the profitibility position of Everest Bank Limited. The most common profitability ratios include; net profit margin ratio, return on total assets ratio, and the return on equity ratio are applied. The collected data will be classified and translated according to the objectives and analyzed by using following various financial tools :

a. Net Profit Margin

A financial statistic called net profit margin is used to determine what proportion of a company's total sales is profit. A corporation is regarded as more stable if its net profit margin is bigger. Furthermore, when all costs and taxes are covered, a bigger net profit margin shows that a business is more profitable. Conversely, a company appears less reliable if its net profit margin is lower because it will have less money to pay for bills and taxes.

$$\text{NPM} = \frac{Net\ Profit\ After\ Tax}{Total\ Revenue} * 100$$

b. Return on Assets

The return on asset, often known as the company's return on total assets, gauges how well management uses its available assets to generate profit overall. A company is operating more successfully if its return on assets is higher, and vice versa. It is calc[a]\ulate as following:

$$\text{ROA} = \frac{Net\ Profit\ After\ Tax}{Total\ Assets} * 100$$

c. Return on Equity

The return on the owner's investment in the business is measured by the return on equity. The equity capital used by the company is referred to as the owner's investment. Common stocks, paid-in capital, and return earnings are all included. For the owner, a higher return on equity ratio is preferable. It is calculated as follows:

$$\text{ROE} = \frac{Net\ Profit\ After\ Tax}{Total\ Equity} * 100$$

d. Least Square Trend

The least square method is the most widely used and mathematical approach for analyzing the trend of time series. Applying this least squares approach. Future trend values for several variables have been estimated. The formula below can be used to estimate a linear trend line:

$$Y = a + bx$$

Where, a = Constant

b = Beta Coefficient

x = Independent Variable

Result

In this section, data presentation and graphical presentation shall be made to overview analysis of data and its structure in over the last five fiscal years. In addition, data shall be analysis through graphical representation and descriptive way.

Return on Assets(ROA)

The efficiency with which a bank generates operational profits from its assets is measured by return on assets, or ROA. Additionally, ROA calculates the overall return to all capital providers, including loan and equity. A company's ROE and ROA would be equal if it had no debt. A high return-on-assets ratio typically indicates that a bank's assets are well-managed and productive.

Table 1 :

Analyzing the Return on Assets of Everest Bank Ltd.

Fiscal year	Net Profit After Tax	Total Assets	ROA(%)
2020/21	1,770,939,497	211,650,249,438	0.84
2021/22	2,479,400,875	225,381,322,534	1.10
2022/23	3,362,115,439	250,090,492,650	1.34
2023/24	3,703,225,086	295,743,700,448	1.25

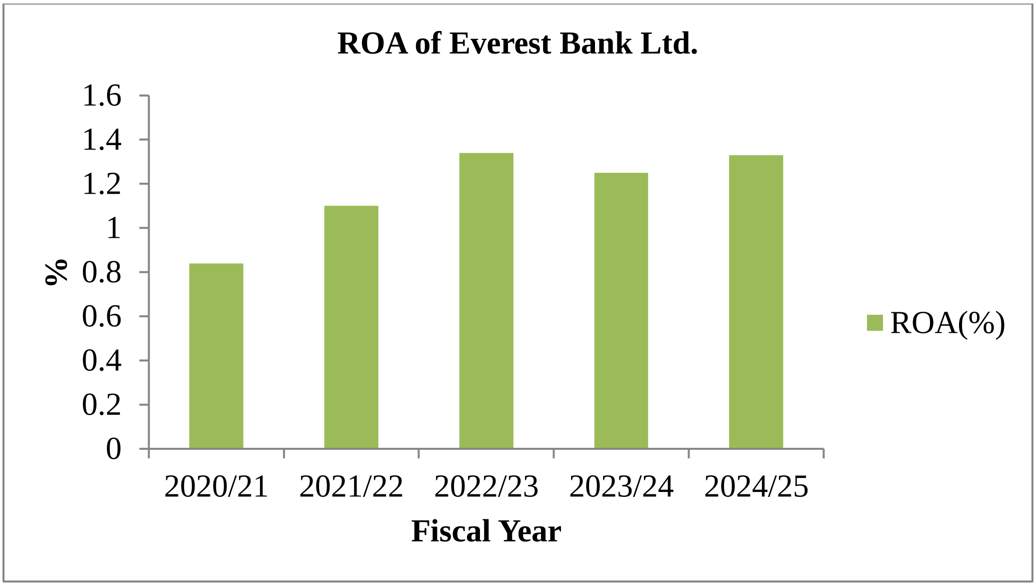
2024/25	4,839,903,472	363,639,245,291	1.33
Average			**1.17**

Source: Annual report of EBL

The above table represents the return on Assets (ROA) of Everest Bank Limited from the fiscal year 2020/21 to year 2024/25 that are 0.84, 1.10, 1.34, 1.25 and 1.33 respectively. The average ROA is 1.17 for five years. The above data can be caLrified further with the diagram below.

Figure 1 :

Return on Assets



The above figure shows that Return on Assets of Everest Bank ltd. In the fiscal year 2020/21 return on assets is minimum than other year i.e. 0.84% and highest is in the fiscal year 2022/23 i.e. 1.33%.The average ROA over five fiscal year is 1.17%.

Return on Equity (ROE)

The term return on equity, or ROE, refers to the net income expressed as a percentage of shareholders' equity. This metric is crucial for assessing how well a bank is turning the capital invested by its shareholders into profit. ROE makes it easier to compare returns among different banks. By measuring a bank's ROE against the average of its competitors, we can identify its competitive strengths. It also provides insight into how effectively management is using equity financing to drive growth. A company that shows a steady and rising ROE over time is likely adept at reinvesting its earnings into valuable assets, which can lead to strong returns for shareholders.

Table 2 :

Analyzing the Return on Equity of Everest Bank Ltd.

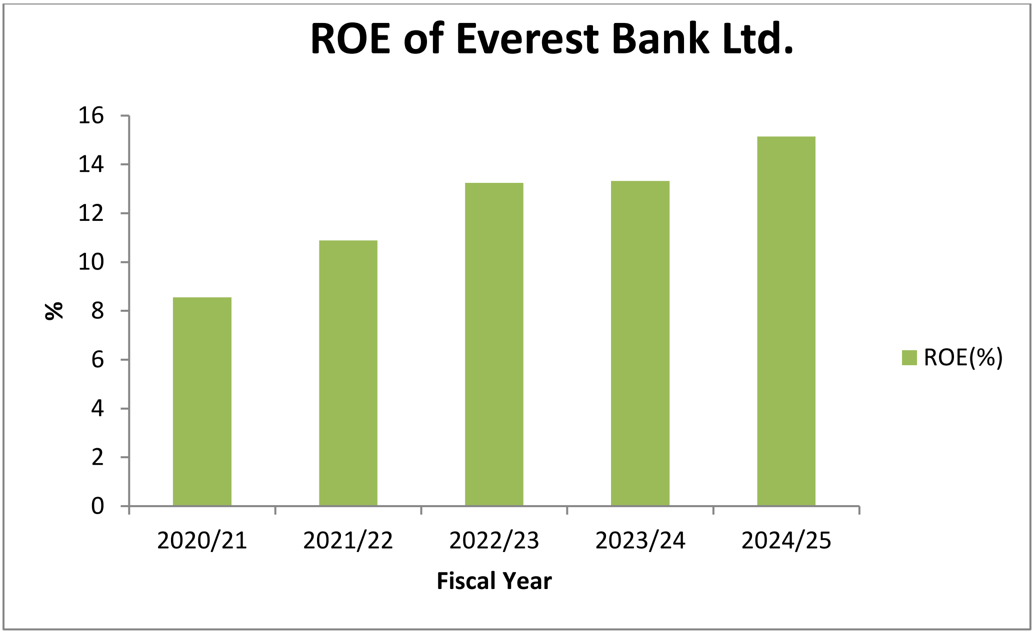
Fiscal year	Net Profit After Tax	Equity	ROE (%)
2020/21	1,770,939,497	20,683,605,466	8.56
2021/22	2,479,400,875	22,794,552,510	10.88
2022/23	3,362,115,439	25,371,669,260	13.25
2023/24	3,703,225,086	27,804,783,738	13.32
2024/25	4,839,903,472	31,939,500,099	15.15
Average			12.23

Source: Annual report of EBL

The above table represents the Return on Equity (ROE) of Everest Bank Limited from the fiscal year 2020/21 to year 2024/25 that are 8.56, 10.88, 13.25, 13.32 and 15.15 respectively. The average ROE is 12.23 for five years. The above data can be caLrified further with the diagram below.

Figure 2 :

Return on Equity



The above figure shows the Return on Equity of Everest Bank Ltd. In the year fiscal year 2020/21 it has, lowest return on equity, 8.56% and highest 15.15% is in the fiscal year 2024/25. The average ROE over five fiscal year is 12.23%.

Net profit Margin(NPM)

A crucial financial indicator of a bank's performance is its net profit margin. To calculate this, you take the net profit after taxes (which is also known as net income), divide it by the total revenue, and then multiply by 100 to express it as a percentage. This metric gives insight into how much profit a bank earns from its overall income. When the net profit margin is higher, it typically signals that the bank is effectively managing costs and enhancing profitability relative to its revenue.

Table 3 :

Analyzing the Net Profit Margin of Everest Bank Ltd.

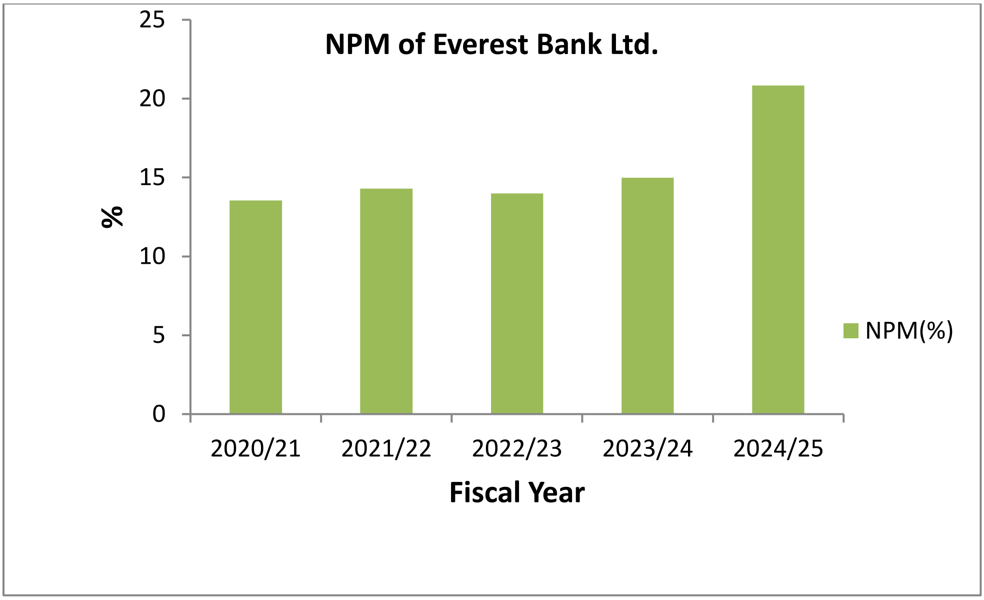
Fiscal year	Net Profit After Tax	Revenue	NPM (%)
2020/21	1,770,939,497	13,075,950,491	13.54
2021/22	2,479,400,875	17,355,916,122	14.29
2022/23	3,362,115,439	24,025,105,015	13.99
2023/24	3,703,225,086	24,699,780,154	14.99
2024/25	4,839,903,472	23,229,865,700	20.83
Average			15.53

Source: Annual report of EBL

The above table represents the Net Profit Margin (NPM) of Everest Bank Limited from the fiscal year 2020/21 to year 2024/25 that are 13.54, 14.29, 13.99, 14.99 and 20.83 respectively. The average NPM is 15.53 for five years. The above data can be caLrified further with the diagram below.

Figure 3 :

Net Profit Margin



The above table and figure shows that net profit margin of Everest Bank Ltd. Where net profit margin in the fiscal year 2024/25 is highest i.e. 20.83 % and 2020/21 is lowest i.e. 13.54%.The average NPM over five fiscal year is 15.53%.

Least Square Trend of Net Profit after Tax

The least square method is the most widely used and mathematical approach for analyzing the trend of time series. Applying this least squares approach. Future trend values for several variables have been estimated. On the topic of net profit after tax five-year data have been forecast. This analysis will show the picture of trend values of net profit of Everest bank Ltd. for the study period and then forecast for following five years. The trend values of net profit after tax of the banks are presented in the following table. The following table displays the net profit after tax for the five years from FY 2018/19 to FY 2022/23 and projects the simiaLr trends through FY 2023/24 to FY 2027/28.

Table 4

Analysis of trend values of Net Profit after Tax

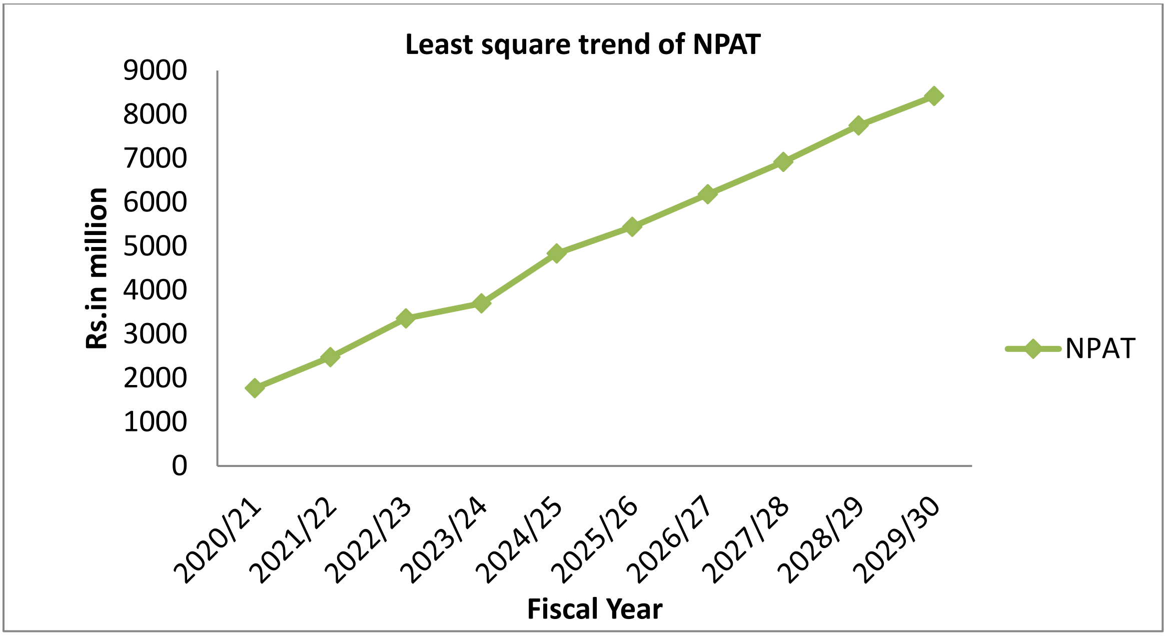
Fiscal year	Net Profit After Tax (Rs. In Millions)
2020/21	1771
2021/22	2479
2022/23	3362
2023/24	3703
2024/25	4840
2025/26	5440
2026/27	6184
2027/28	6920
2028/29	7751
2029/30	8418

Source: Annual report of EBL

The above table shows the trend values of NPAT of Everest Bank Limited. The actual values of NPAT for fiscal year 2020/21 to year 2024/25 are 1771, 2479, 3362, 3703 and 4840 million respectively. The Forecasted values of NPAT from fiscal year 2025/26 to year 2029/30 are 5440, 6184, 6920, 7751 and 8418 million respectively. The above data can be caLrified further with the diagram below.

Figure 4

Trend Values of Net Profit after Tax



The above line chart shows the net profit after tax trend of Everest Bank Limited. From FY 2020/21 to 2024/25 shows the actual values as per annual report of the bank. Which is in increasing trend, Net profit of FY 2020/21 is lower and FY 2024/25 shows the higher value. From FY 2025/26 to 2029/30 the line chart shows the forecasted value of net profit and is increasing trend. The FY 2025/26 should have less value and for FY 2029/30 should have higher value of net profit after tax.

Discussion

Several significant insights may be gained from the examination of Everest Bank Limited's financial data over the last five fiscal years. The bank has maintained a steady but somewhat erratic profitability position, according to the profitability measures, which include Return on Equity (ROE), Return on Assets (ROA), and Net Profit Margin (NPM). The period of 2024-2025 and 2022-2023 witnessed ROA and ROE values soar to their highest level ever, implying efficient operations and gains for the stockholders. In contrast, the years 2020-2021 witnessed the fall, probably because of internal and external reasons. The results of least squares trend analysis indicate a rising trend for the future, which may imply higher profitability if the same pattern will be continued, despite the volatility in NPAT in the past years. Moreover, the trend analysis revealed a steady growth of NPAT with predictions of even more profitability in the upcoming years. This report foc[a]\uses on analyzing the profitability of Everest Bank Limited through ROE, ROA, and NPAT for five consec[a]\utive fiscal years. Higher values of profitability ratio are evidence of efficient operations of the organization.

Conclusion

Results indicate that profitability ratios exhibit mixed trends, the relationship among financial figures, and the significance of some elements that contribute to the Net Profit After Tax (NPAT) performance of the bank. The calculation of the Return on Assets (ROA) ratio ranging from 1.34% in 2022/2023 to as low as 0.84% in 2020/2021 illustrates the unpredictability of the bank's efficiency in using its resources effectively, staying at more than 1%, except for the fiscal year of 2020/2021. This indicates that both internal and external causes caused the bank's asset utilization efficiency to fluctuate. Return on Equity (ROE) also varied, peaking at 15.15% in 2024–2025 and falling to 8.56% in 2020–2021 before rising once more to 13.32% in 2023–2024. The dip in 2020/21 can be attributed to increased costs, reduced profit margins, or external economic shocks like the COVID-19 pandemic, from which the bank recovered in the following years. Net Profit Margin (NPM) was also not consistent, ranging from a high of 20.83% in 2024/25 to a low of 13.54% in 2020/21. Despite the fluctuations, EBL remained profitable during the five-year period. The NPAT trend of EBL is in increasing trend. Net profit of FY 2020/21 is lower and FY 2024/25 shows the higher value. From FY 2025/26 to 2029/30 the line chart shows the forecasted value of net profit and is increasing trend. The FY 2025/26 should have less value and for FY 2029/30 should have higher value of net profit after tax.

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