

**DISCLOSURE UNDER CAPITAL ADEQUACY FRAMEWORK 2015 OF NRB**  
As on 32nd Asadh 2075(16.07.2018)

**1. CAPITAL STRUCTURE & CAPITAL ADEQUACY** **Annexure-6**

<b>i. Core Capital (Tier I)</b>		<i>(Amount in Lacs)</i>
	<b>Particulars</b>	<b>Amount</b>
A	Paid-up Equity Share Capital	80,469.05
B	Share Premium	3,817.60
C	Statutory General Reserve	16,948.04
D	Proposed Bonus Equity Shares	0.00
E	Accumulated Profit/(Loss)	19,429.43
F	Capital Adjustment Reserve	124.63
G	Debenture Redemption Reserve	4,594.61
H	Other Free Reserve	1,873.61
I	Less: Deferred Tax Assets	-2,519.73
J	Less: Intangible Assets	-16.38
K	Less: Purchase of land & building in excess of limit and unutilized	0.00
L	Less: Investment in equity of institutions with financial interests	-1,888.89
	<b>Total Core Capital (Tier I)</b>	<b>122,831.97</b>

<b>ii. Supplementary Capital (Tier II)</b>		<i>(Amount in Lacs)</i>
	<b>Particulars</b>	<b>Amount</b>
A	Subordinate Term Debt	7,600.00
B	General Loan Loss Provision	8,149.28
C	Investment Adjustment Reserve	5.00
D	Exchange Equalization Reserve	198.15
	<b>Total Supplementary Capital (Tier II)</b>	<b>15,952.43</b>

<b>iii. Information about Subordinate Term Debt</b>		<i>(Amount in Lacs)</i>
1. 12.5% Nepal SBI Bank Debentures 2078 of Rs.1,000 each (Unsecured) issued on 12.02.2012 and maturing on 11.02.2022 of Rs. 4,000.00 lacs; 2. 8% Nepal SBI Bank Debentures 2079 of Rs.1,000 each (Unsecured) issued on 03.02.2013 and maturing on 02.02.2023 of Rs. 4,000.00 lacs and 3. 7.9% Nepal SBI Bank Debentures 2080 of Rs. 1,000 each (Unsecured) issued on 20.04.2014 and maturing on 19.04.2024 of Rs. 2,000.00 lacs.		
-	Outstanding Amount	10,000.00
	Fixed Maturity Period of 10 Years	
	Interest Payment - Half Yearly	
	At the time of liquidation, right of claims will be only after depositors	
	Redeemable and Non-Convertible	
-	Outstanding Balance of Redemption Reserve	4,594.61
-	Amount raised during the year	
-	Amount released during the year due to maturity	0.00
-	Amount Eligible to be reckoned as Capital Fund	9,200.00

<b>iv. Deduction Form Capital</b>		<i>(Amount in Lacs)</i>
	<b>Particulars</b>	<b>Amount</b>
	Deferred Tax Assets	-2,519.73
	Intangible Assets	-16.38
	Investment in NSMBL	-1,888.89
	<b>Total</b>	<b>-4,425.00</b>

<b>v. TOTAL QUALIFYING CAPITAL</b>		<i>(Amount in Lacs)</i>
	<b>Particulars</b>	<b>Amount</b>
	Total Core Capital (Tier I)	122,831.97
	Total Supplementary Capital (Tier II)	15,952.43
	<b>Total Capital Fund (Tier I + Tier II)</b>	<b>138,784.40</b>

<b>vi. Capital Adequacy Ratio</b>	
Capital Adequacy Ratio (Percentage)	15.26%

**vii. Summary of the bank's internal approach to assess the adequacy of capital to support current**

The Bank has Internal Capital Adequacy Assessment Process (ICAAP) Policy, which is revised every year to support current and future activities. The ICAAP review process is intended to ensure that we have adequate capital to support all the risks in business, to improve upon them over time and achieve better risk management techniques in monitoring and managing risks. ICAAP Committee meets at monthly intervals to review the internal capital assessment commensurate with the risk profile and review the portfolios which require capital charge. ICAAP Committee also reviews strengthening of risk management, applying internal limits, strengthening the level of provisions and reserves, and improving internal controls.

**2. RISK EXPOSURE**

<b>i. Risk Weighted Exposure for Credit Risk, Market Risk and Operational Risk</b>		<i>(Amount in Lacs)</i>
	<b>Particulars</b>	<b>Amount</b>
A	Risk Weighted Exposure for Credit Risk	821,703.35
B	Risk Weighted Exposure for Operational Risk	51,161.92
C	Risk Weighted Exposure for Market Risk	10,841.46
D	Add: 2% of the total RWE as per NRB Direction.	17,674.13
E	Add: 2% of the Gross Income as per NRB Direction	8,183.41
	<b>Total Risk Weighted Exposure (A+B+C+D)</b>	<b>909,564.28</b>

ii. Risk Weighted Exposure under each 11 Categories of Credit Risk			(Amount in Lacs)
S.No.	Categories	Amount	
1	Claims on Government and Central Bank	-	
2	Claims on Other Official Entities	-	
3	Claims on Banks	14,748.73	
4	Claims on Corporate and Securities Entities	487,586.85	
5	Claims on Regulatory Retail Portfolio	132,250.47	
6	Claims Secured by Residential Properties	12,225.21	
7	Claims Secured by Commercial Real Estate	3,760.19	
8	Past Due Claims	547.49	
9	High Risk Claims	39,254.92	
10	Other Assets	33,383.63	
11	Off Balance Sheet Items	97,945.86	
	<b>Total</b>	<b>821,703.35</b>	

iii. Amount of Non Performing Assets (Gross and Net Amount)					(Amount in Lacs)
	Particulars	Gross Amount	Provision	Net Amount	
A	Restructured	0.00	0.00	-	
B	Sub-standard	0.00	0.00	-	
C	Doubtful	0.00	0.00	-	
D	Loss	1,542.53	1,542.53	-	
	<b>Total</b>	<b>1,542.53</b>	<b>1,542.53</b>	<b>-</b>	

iv. Non Performing Assets (NPA) Ratios		Percentage (%)
- Gross NPA to Gross Advances		0.20%
- Net NPA to Net Advances		628.31%

v. Movement of Non Performing Assets					(Amount in Lacs)
S.No.	Particulars	Closing Balance (Ashad End 2074)	Closing Balance (Asadh End 2075)	Movement	
	<b>Non Performing Loan</b>				
1	Restructured Loan	0.88	0.00	-0.88	
2	Sub-Standard	0.00	0.00	0.00	
3	Doubtful	0.00	0.00	0.00	
4	Loss	658.93	1,542.53	883.59	

#### vi. Write Off Of Loans and Interest Suspense:

Nil

vii. Movement Of Loan Loss Provison and Interest Suspense					(Amount in Lacs)
Loan Loss Provision					
S.No.	Particulars	Closing Balance (Ashad End 2074)	Closing Balance (Asadh End 2075)	Movement	
1	Pass	6,378.19	7,456.13	1,077.94	
2	Watch List	253.03	693.15	440.12	
3	Restructure	0.28	0.00	-0.28	
4	Sub-Standard	0.00	0.00	0.00	
5	Doubtful	0.00	0.00	0.00	
6	Loss	641.67	1,542.53	900.86	
	<b>Total Loan Loss Provision</b>	<b>7,273.17</b>	<b>9,691.81</b>	<b>2,418.64</b>	

viii. Interest Suspense					(Amount in Lacs)
S.No.	Particulars	Closing Balance (Ashad End 2074)	Closing Balance (Asadh End 2075)	Movement	
1	Interest Suspense	757	1,059	302	

ix. Details of Additional Loan Loss Provision			(Amount in Lacs)
S.No.	Particulars	Asadh End 2075	
1	Pass	1,078	
2	Watch List	440	
3	Restructure	0	
4	Sub-Standard	0	
5	Doubtful	0	
6	Loss	996	
	<b>Total</b>	<b>2,514</b>	

**x. Segregation of the Bank's Investment portfolio**

Investments are segregated as per NRB Directive. Investments under various categories are as follows:

**A. Investment Held for Trading**

(Amount in Lacs)

S.No.	Particulars	Cost Price	Previous Market Price (A)	Current Market Price (B)	This Year Profit /Loss (B-A) Rs.	Previous Year Profit /Loss Rs.	Remarks
<b>Mutual Fund Investments:</b>							
1	1,043,347 Units NIBL Sambridhi Fund - Mutual Fund of Rs 10 each fully paid	104	124	106	-18	32	
2	782,999 Units NMB Sulav Fund - Mutual Fund of Rs. 10 each fully paid	78	98	90	-7	32	-
3	85,630 Units NIBL Pragati Fund - Mutual Fund of Rs. 10 each fully paid	9	9	8	-1		
<b>Total Investment</b>		<b>191</b>	<b>230</b>	<b>204</b>	<b>-25</b>	<b>64</b>	<b>-</b>

**B. Investment Held to Maturity**

(Amount in Lacs)

S.No.	Particulars	Cost Price (a) Rs.	Impairment Till Date (b) Rs.	Impairment This Year (c) Rs.	This Year Profit /Loss (a-b-c) Rs.	Previous Year Profit /Loss Rs.	Remarks
1	Nepal Government Treasury Bills	35,800	-	-	-	-	
2	Nepal Government Other securities	74,374	-	-	-	-	
3	Foreign Bank Investment (Placement)	95,230	-	-	-	-	
4	Deposit Collection into NRB	0	-	-	-	-	
5	Placement into local Banks	0	-	-	-	-	
<b>Total Investment</b>		<b>205,404</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

**C. Investment Available for Sale**

(Amount in Lacs)

S. No.	Particulars	Cost Price Rs.	Previous Market Price(a) Rs.	Current Market Price (b) Rs.	This Year Investment Adjustment Reserve (b-a) Rs.	Previous Year Profit /Loss Rs.	Remarks
1	Shares, Debentures and Bond of Domestic Entity						
	Listed**	250	4,176	2,211	-1,965	-	
	Not Listed*	1,938	-		0	-	
<b>Total Investment</b>		<b>2,188</b>	<b>4,176</b>	<b>2,211</b>	<b>-1,965</b>	<b>-</b>	

\* No Investment Adjustment Reserve has been maintained for investment in Karja Suchana Kendra Ltd., Nepal Clearing House Ltd., and National Banking Institute as NRB Directive No 8/ 2073 has exempted maintenance of such reserve against such investments.

\*\* Valuation of listed shares has been taken lower of cost price or market price.

**3. RISK MANAGEMENT FUNCTION**

**i. Strategies and Policies**

Credit risk process is a joint effort between its marketing and credit areas. Credit officers are engaged in analyzing inherent risks in the customer's business, ability to repay and structure a facility that simultaneously accommodates the financing needs, while assuring seniority, protection and control of the bank's assets and collateral.

**ii. The Structure and Organization of the Relevant Risk Management Function**

A comprehensive Risk Management System has been ensured to deal with various types of risks. The risk management function is overseen by the Board of Directors through the Risk Management Committee of the Board (RMCB) and Audit Committee of the Board (ACB). Besides, there are Credit Risk Management Committee (CRMC), Asset Liability Management Committee (ALCO), Market Risk Management Committee (MRMC) and Operational Risk Management Committee (ORMC) for formulating and reviewing the risk management policies and monitoring their implementation in the matters related to credit, market and operational risks. The progress of the action implementation is reviewed by the Bank's Board, including review of the decisions of the Central Management Committee. The Bank has already migrated to Basel-II norms and the Capital to Risk Weighted Assets Ratio (CRAR) is also being worked out as per the guidelines of Basel-II. The Bank also plans to go for Operational Risk Management Solution software in near future for assessing the Operational Risk on an ongoing basis. To control, obviate and mitigate the operational risk, the Bank has put in place comprehensive operational guidelines and has also issued various manuals, such as Cash Module Manual, IT manual, Finacle Job cards, TFCPC manual, Internet Banking guidelines, Mobile Banking operational guidelines, Credit assessment and process guidelines for the operating units.

The Risk structures are being revisited at frequent intervals and the requisite policies, systems are being introduced and kept updated. For both credit and market risks, stress testing is being done regularly. With all branches on Core Banking Solution (CBS), Credit Information and MIS works on a robust platform. The Bank has direct access to the CIB database which have been allocated to our operating units/offices, enabling them to generate Credit Information Report on borrowers / prospective borrowers from this database. A MIS website is maintained by your Bank to provide easy access to the central database, which is being extensively used by the operating units.

The Bank has Integrated Risk Management Department headed by Chief Risk and Compliance Officer (CRO) to strengthen the Risk Management structure, which includes assessing, identifying, monitoring and reducing pertinent business risk that could interface with the Bank's objectives and goal.

**iii. The Scope and Nature of Risk Reporting and / or Measurement Systems**

Risk reporting / measurement system is done through regular customer interactions, site inspections & annual reviews. These are continuous processes. Further, review of

**iv. Policies for Hedging and / or the mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigates**

Policies for mitigating risks & strategies are as outlined in the respective manuals and as discussed at various levels after customer interactions / visits, during annual reviews, quarterly reviews and at meetings at various levels.

**v. Eligible CRM (Credit Risk Mitigants)**

Particulars	Eligible
Deposits with Bank	14,149
Deposits with other banks/Fl	0
Gold	12
Govt.& NRB Securities	0
G'tee of Govt. of Nepal	0
Sec/G'tee of other Sovereigns	0
G'tee of domestic banks	0
G'tee of MDBs	0
Sec/G'tee of Foreign Banks	0
<b>Total</b>	<b>14,161</b>