

DISCLOSURE UNDER CAPITAL ADEQUACY FRAMEWORK 2015 OF NRB
As on 29th Poush 2080 (14.01.2024)

I. CAPITAL STRUCTURE & CAPITAL ADEQUACY

Annexure-6

| i. Core Capital (Tier I) | | (Amount in Lacs) |
|------------------------------------|---|-------------------|
| | Particulars | Amount |
| A | Paid-up Equity Share Capital | 101,206.29 |
| B | Share Premium | - |
| C | Statutory General Reserve | 37,805.41 |
| D | Proposed Bonus Equity Shares | - |
| E | Retained Earning | 3,823.45 |
| F | Un-audited current year cumulative profit | 4,084.69 |
| G | Capital Adjustment Reserve | 8,124.63 |
| H | Debenture Redemption Reserve | 9,627.08 |
| I | Less: Intangible Assets | (81.90) |
| J | Less: Purchase of land & building in excess of limit and unutilized | - |
| K | Less: Investment in equity of institutions with financial interests | (1,888.89) |
| Total Core Capital (Tier I) | | 162,700.76 |

| ii. Supplementary Capital (Tier II) | | (Amount in Lacs) |
|--|-------------------------------|------------------|
| | Particulars | Amount |
| A | Subordinate Term Debt | 34,522.54 |
| B | General Loan Loss Provision | 19,097.66 |
| C | Investment Adjustment Reserve | - |
| D | Exchange Equalization Reserve | 471.89 |
| Total Supplementary Capital (Tier II) | | 54,092.09 |

| iii. Information about Subordinate Term Debt | | (Amount in Lacs) |
|--|---|------------------|
| 1. 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. 2. 10% Nepal SBI Bank Ltd Debenture 2086 of Rs. 1,000 each (Unsecured) issued on 16.01.2020 and maturing on 15.01.2030 of Rs. 20,338.88 lacs. 3. 9.25% Nepal SBI Bank Ltd Debenture 2089 of Rs. 1,000 each (Unsecured) issued on 27.08.2023 and maturing on 26.09.2033 of Rs. 14,183.66 lacs. | | |
| - | Outstanding Amount | 36,522.54 |
| | 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 | 9,627.08 |
| - | Amount raised during the year | - |
| - | Amount released during the year due to maturity | - |
| - | Amount Eligible to be reckoned as Capital Fund | 34,522.54 |

| iv. Deduction From Capital | | (Amount in Lacs) |
|-----------------------------------|---------------------|------------------|
| | Particulars | Amount |
| | Intangible Assets | 81.90 |
| | Investment in NSMBL | 1,888.89 |
| Total | | 1,970.78 |

| v. TOTAL QUALIFYING CAPITAL | | (Amount in Lacs) |
|--|---------------------------------------|-------------------|
| | Particulars | Amount |
| | Total Core Capital (Tier I) | 162,700.76 |
| | Total Supplementary Capital (Tier II) | 54,092.09 |
| Total Capital Fund (Tier I + Tier II) | | 216,792.86 |

| vi. Capital Adequacy Ratio | |
|-------------------------------------|--------|
| Capital Adequacy Ratio (Percentage) | 12.81% |

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 quarterly 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

| i. Risk Weighted Exposure for Credit Risk, Market Risk and Operational Risk (Amount in Lacs) | | |
|---|---|---------------------|
| | Particulars | Amount |
| A | Risk Weighted Exposure for Credit Risk | 1,527,813.03 |
| B | Risk Weighted Exposure for Operational Risk | 80,467.10 |
| C | Risk Weighted Exposure for Market Risk | 15,260.15 |
| D | Add: 3% of the total RWE as per NRB Direction. | 20,517.64 |
| E | Add: 3% of the Gross Income as per NRB Direction | 48,706.21 |
| F | Add: Amount for shortfall in NLATD | - |
| | Total Risk Weighted Exposure (A+B+C+D+E+F) | 1,692,764.12 |

| 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 | 41,537.01 |
| 4 | Claims on Corporate and Securities Entities | 853,452.12 |
| 5 | Claims on Regulatory Retail Portfolio | 139,898.25 |
| 6 | Claims Secured by Residential Properties | 13,094.33 |
| 7 | Claims Secured by Commercial Real Estate | 10,065.21 |
| 8 | Past Due Claims | 11,879.77 |
| 9 | High Risk Claims | 143,532.28 |
| 10 | Other Assets | 112,951.50 |
| 11 | Off Balance Sheet Items | 201,402.56 |
| | Total | 1,527,813.03 |

| iii. Amount of Non Performing Assets (Gross and Net Amount) (Amount in Lacs) | | | | |
|---|--------------|------------------|------------------|-----------------|
| | Particulars | Gross Amount | Provision | Net Amount |
| A | Restructured | - | - | - |
| B | Sub-standard | 1,175.48 | 247.55 | 927.94 |
| C | Doubtful | 18,041.08 | 14,005.94 | 4,035.14 |
| D | Loss | 10,132.14 | 9,709.50 | 422.64 |
| | Total | 29,348.70 | 23,962.99 | 5,385.71 |

| iv. Non Performing Assets (NPA) Ratios | |
|--|----------------|
| NPA Ratios | Percentage (%) |
| - Gross NPA to Gross Advances | 2.29% |
| - Net NPA to Net Advances | 0.44% |

| v. Movement of Non Performing Assets (Amount in Lacs) | | | | |
|--|----------------------------|-------------------------------------|--------------------------------------|----------|
| S.No. | Particulars | Closing Balance (Poush End 2080) | Closing Balance (Ashadh End 2080) | Movement |
| | Non Performing Loan | | | |
| 1 | Restructured Loan | - | - | - |
| 2 | Sub-Standard | 1,175.48 | 1,206.60 | (31.12) |
| 3 | Doubtful | 18,041.08 | 18,821.07 | (779.99) |
| 4 | Loss | 10,132.14 | 9,798.06 | 334.08 |

| vi. Write Off Of Loans and Interest Suspende: (Amount in Lacs) | | |
|---|-------------|------------------|
| S.No. | Particulars | Principal Amount |
| 1 | Bad Loan | - |

| vii. Movement Of Loan Loss Provison (Amount in Lacs) | | | | |
|---|---------------------------------------|-------------------------------------|--------------------------------------|-----------------|
| Loan Loss Provision | | | | |
| S.No. | Particulars | Closing Balance (Poush End 2080) | Closing Balance (Ashadh End 2080) | Movement |
| 1 | Pass | 13,311.47 | 14,405.93 | (1,094.46) |
| 2 | Pass with 5% provision | 2.44 | 3.25 | (0.81) |
| 3 | Restructured (Pass with 5% Provision) | 2,689.25 | 1,757.25 | 932.00 |
| 4 | Watch List | 6,469.81 | 3,701.76 | 2,768.05 |
| 5 | Restructure | - | - | - |
| 6 | Sub-Standard | 247.55 | 285.82 | (38.28) |
| 7 | Doubtful | 14,005.94 | 9,274.01 | 4,731.93 |
| 8 | Loss | 9,709.50 | 9,523.73 | 185.78 |
| | Total Loan Loss Provision | 46,435.95 | 38,951.75 | 7,484.21 |

| viii. Movement of Interest Suspende (Amount in Lacs) | | | | |
|---|--|-------------------------------------|--------------------------------------|----------|
| S.No. | Particulars | Closing Balance (Poush End 2080) | Closing Balance (Ashadh End 2080) | Movement |
| 1 | Interest Suspende/ Overdue (Including the interest overdue on deferred account as per NRB Directive) | 15,273.44 | 9,220.70 | 6,052.74 |

| ix. Details of Loan Loss Provision addition (Net Amount) | | | (Amount in Lacs) |
|--|---------------------------------------|-----------------|------------------|
| S.No. | Particulars | Poush End 2080 | |
| 1 | Pass | (1,094.46) | |
| 2 | Pass with 5% provision | (0.81) | |
| 3 | Restructured (Pass with 5% Provision) | 932.00 | |
| 4 | Watch List | 2,768.05 | |
| 5 | Restructure | - | |
| 6 | Sub-Standard | (38.28) | |
| 7 | Doubtful | 4,731.93 | |
| 8 | Loss | 185.78 | |
| | Total | 7,484.21 | |

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 |
|-------|--|---------------|---------------------------|--------------------------|-----------------------------------|---------------------------------|--------------------------------|
| | Mutual Fund Investments: | | | | | | |
| 1 | 2,000,000 Units NMB 50 Mutual Fund- Mutual Fund of Rs. 10 each fully paid | 200.00 | 210.00 | 192.00 | (18.00) | (48.00) | |
| 2 | 85,630 Units NIBL Pragati Fund - Mutual Fund of Rs. 10 each fully paid | 8.56 | 8.31 | 7.98 | (0.33) | (0.27) | |
| 3 | 500,000 Units Nabil Balance Fund - Mutual Fund of Rs 10 each fully paid | 50.00 | 44.00 | 42.45 | (1.55) | (9.90) | |
| 4 | 1,500,000 Units Siddhartha Investment Growth Scheme-2 - Mutual Fund of Rs 10 each fully paid | 150.00 | 135.45 | 120.00 | (15.45) | (11.40) | |
| 5 | 500,000 Units Kumari Mutual Fund of Rs 10 each fully paid | 50.00 | 50.85 | 42.45 | (8.40) | 0.50 | |
| 6 | 1,000,000 Units of NIBL Samriddhi Fund-II of Rs 10 each fully paid | 100.00 | 91.10 | 75.00 | (16.10) | 4.40 | |
| 7 | 1,000,000 Units of NMB Sulav Investment Fund-II of Rs 10 each fully paid | 100.00 | 99.90 | 91.20 | (8.70) | (0.10) | |
| 8 | 100,000 Units of NIBL Growth Fund of Rs 10 each fully paid | 10.00 | 10.64 | 8.16 | (2.48) | 0.64 | |
| 9 | 1,000,000 Units of Prabhu Smart Fund of Rs 10 each fully paid | 100.00 | 99.00 | 95.00 | (4.00) | (1.00) | |
| 10 | 100,000 Units of Citizen Investment Fund of Rs 10 each fully paid | 10.00 | 10.00 | 8.15 | (1.85) | - | |
| 11 | 100,000 Units of Laxmi Value Fund II of Rs 10 each fully paid | 10.00 | - | 8.46 | (1.54) | - | Purchase during the Current FY |
| 12 | 200,000 Units of Himalayan 80-20 of Rs 10 each fully paid | 20.00 | - | 20.00 | - | - | Purchase during the Current FY |
| | Total Investment | 808.56 | 759.25 | 710.85 | (78.40) | (65.13) | - |

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 | 304,532.35 | - | - | - | - | |
| 2 | Nepal Government Other securities | 199,170.50 | - | - | - | - | |
| 3 | Foreign Bank Investment (Placement) | - | - | - | - | - | |
| 4 | Deposit Collection into NRB | 30,000.00 | - | - | - | - | |
| 5 | Placement into local Banks | - | - | - | - | - | |
| | Total Investment | 533,702.85 | - | - | - | - | |

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 Adjustment on Fair Value Reserve (b-a) Rs. | Previous Year Profit /Loss Rs. | Remarks |
|--------|--|----------------|-------------------------------|------------------------------|--|--------------------------------|---------|
| | Shares, Debentures and Bond of Domestic Entity | | | | | | |
| | Listed** | 296.61 | 2,643.22 | 1,279.51 | (1,363.70) | - | |
| | Not Listed* | 55.70 | 267.36 | 303.31 | 35.95 | - | |
| | Total Investment | 352.31 | 2,910.58 | 1,582.83 | (1,327.75) | - | |

* 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/ 2080 has exempted maintenance of such reserve against such investments. However, fair value reserve has been maintained for the above mentioned investment under NFRS/NRB requirement.

** Listed share has been valued at market price of closing date.

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, TFPC 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 under the control of Chief Risk and Compliance Officer (CRCO) 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 the bank's performance is conducted every quarter and findings are reported to the BOD.

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 CRM |
|-------------------------------|------------------|
| Deposits with Bank | 22,913.27 |
| Deposits with other banks/FI | - |
| Gold | - |
| Govt. & NRB Securities | - |
| G'tee of Govt. of Nepal | - |
| Sec/G'tee of other Sovereigns | - |
| G'tee of domestic banks | - |
| G'tee of MDBs | - |
| Sec/G'tee of Foreign Banks | - |
| Total | 22,913.27 |