

NMB Bank Limited
Disclosure under Basel III
As at End of 4th Quarter FY 2073/74

1. Capital structure and capital adequacy:

• **Tier 1 capital and a breakdown of its components:**

	Details	Amount (NPR)
1	Paid up Equity Share Capital	6,461,774,334
2	Share Premium	1,424,857,947
3	Proposed Bonus Equity Shares	-
4	Statutory General Reserves	1,007,623,410
5	Retained Earnings	23,016,995
6	Unaudited Current Year Cumulative Profit	1,511,386,081
7	Debenture Redemption Reserve and Deferred Tax Reserve	193,115,969
8	Less: Intangible Assets	(15,871,925)
9	Less: Deferred Tax Asset	(65,318,853)
10	Less: Investment in equity of institutions with financial interests	(110,000,000)
	Total Core Capital	10,430,583,959

• **Tier 2 capital and a breakdown of its components:**

	Details	Amount (NPR)
1	Subordinated Term Debt	300,000,000
2	General loan loss provision	672,991,242
3	Exchange Equalization Reserve	41,211,115
4	Investment Adjustment Reserve	14,932,675
5	Other Reserves	53,295,483
	Total Supplementary Capital	1,082,430,515

- **Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, and amount raised during the year and amount eligible to be reckoned as capital funds.**

The Bank issued "7% NMB Debenture 2077" on 6 Falgun 2071. The salient features of the Debenture are as follows:

- Outstanding Amount : NPR 500 Million
- Maturity : 5 Years 6 Months from the date of issuance
- Amount raised during the year : NPR 500 Million
- Amount eligible to be reckoned as Capital Funds : NPR 300 Million

• **Deductions from capital:**

- Investment in equity shares of subsidiary company NMB Capital Ltd amounting to NPR 100,000,000 is deducted from Capital.
- Investment in equity shares of CEDB Hydro Fund Ltd amounting to NPR 10,000,000 is deducted from Capital.
- Intangible Assets amounting to NPR 15,871,925 is deducted from Capital.
- Deferred Tax Assets amounting to NPR 65,318,853 is deducted from Capital.

• **Total qualifying capital:**

	Details	Amount (NPR)
1	Core Capital (Tier I)	10,430,583,959
2	Supplementary Capital (Tier II)	1,082,430,515
	Total Capital Fund (Tier I and Tier II)	11,513,014,473

• **Capital Adequacy Ratio:**

	Details	Percentage
1	Tier I Capital to Total Risk Weighted Exposure	12.55
2	Tier I and Tier II Capital to Total Risk Weighted Exposure	13.85

- **Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments.**

• **Details of Subordinated Term Debt: Debenture**

- Face Value : Rs 1,000
- Maturity : 5 Years 6 Months from the date of issuance
- Interest Rate : 7% per annum.
- Interest Payment Frequency : Half yearly.
- Amount : NPR 500 Million
- Eligible Amount for Tier 2 Capital : NPR 300 Million
- Listed with Nepal Stock Exchange.

2. Risk exposures:

- **Risk weighted exposures for Credit Risk, Market Risk and Operational Risk:**

S.N.	Risk Weighted Exposure	Amount (NPR)
a.	Risk Weighted Exposure for Credit Risk	74,721,251,604
b.	Risk Weighted Exposure for Operational Risk	3,354,218,852
c.	Risk Weighted Exposure for Market Risk	1,091,220,729
	Total Risk Weighted Exposures (a+b+c)	79,166,691,185
	Add : RWE equivalent to reciprocal of capital charge of 3 % of gross income.	777,805,143
	Add : 2% of the the total RWE due to Supervisory add up	1,583,333,824
	Desired level of disclosure requirement has not been achieved. Add 2% of RWE	1,583,333,824
	Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	83,111,163,975

- **Risk Weighted Exposures under each of 11 categories of Credit Risk:**

S.N.	Particulars	Amount (NPR)
1	Claims on government and Central Bank	NIL
2	Claims on other Official Entities	NIL
3	Claims on Banks	1,365,827,785
4	Claims on Corporate and Securities Firms	41,017,156,441
5	Claims on Regulatory Retail Portfolio	4,502,408,993
6	Claims secured by Residential Properties	6,540,373,271
7	Claims secured by Commercial Real Estate	728,447,173
8	Past Due Claims	871,945,330
9	High Risk Claims	5,939,115,318
10	Other Assets	2,296,477,000
11	Off Balance sheet items	11,459,500,295
	TOTAL	74,721,251,604

- **Total Risk Weighted Exposure calculation table:**

S.N.	Particulars	Amount (NPR)
a.	Risk Weighted Exposure for Credit Risk	74,721,251,604
b.	Risk Weighted Exposure for Operational Risk	3,354,218,852
c.	Risk Weighted Exposure for Market Risk	1,091,220,729
1	Total Risk Weighted Exposure	79,166,691,185
	Add : RWE equivalent to reciprocal of capital charge of 3 % of gross income.	777,805,143
	Add : 2% of the the total RWE due to Supervisory add up	1,583,333,824
	Desired level of disclosure requirement has not been achieved. Add 2% of RWE	1,583,333,824
	Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	83,111,163,975
2	Total Core Capital Fund (Tier 1)	10,430,583,959
3	Total Capital Fund (Tier 1 & Tier 2)	11,513,014,473
4	Total Core Capital to Total Risk Weighted Exposures	12.55
5	Total Capital to Total Risk Weighted Exposures	13.85

Amount of Non Performing Assets (NPAs)

	Category	Gross	Provision	Net
1	Restructure/Reschedule Loan	1,685,378	301,427	1,383,951
2	Substandard	177,047,915	44,261,979	132,785,936
3	Doubtful	382,919,805	191,459,902	191,459,902
4	Loss	477,351,354	477,351,354	-
	Total	1,039,004,452	713,374,662	325,629,790

NPA Ratio

Gross NPA to Gross Advances	1.66%
Net NPA to Net Advances	0.53%

Movement of Non Performing Assets

	Particulars	Chaitra End 2073	Ashad End 2074	Movement
1	Restructure/Reschedule Loan	2,240,658	1,685,378	(555,280)
2	Substandard	255,759,204	177,047,915	(78,711,289)
3	Doubtful	302,173,651	382,919,805	80,746,154
4	Loss	488,162,397	477,351,354	(10,811,042)
	Total Non Performing Loan	1,048,335,910	1,039,004,452	-9,331,458

Write off of Loans: 48,225,932

Write off of Interest Suspense: 25,236,177

Movement of Loan Loss Provision & Interest Suspense

	Category	Chaitra End 2073	Ashad End 2074	Movement
1	Pass	593,014,780	607,703,122	14,688,342
2	Watch List	62,693,903.33	40,006,836	(22,687,067)
3	Restructured	446,682	301,427	(145,255)
4	Substandard	63,939,801	44,261,979	(19,677,822)
5	Doubtful	151,086,825	191,459,902	40,373,077
6	Loss	488,162,397	477,351,354	(10,811,042)
	Total Loan Provision	1,359,344,388	1,361,084,620	1,740,232
	Interest Suspense	240,193,580	223,365,265	(16,828,314)

Details of Additional Loan Loss Provision

	Category	Ashad End 2074
1	Pass	29,308,390
2	Watch List	-
3	Restructured	-
4	Substandard	-
5	Doubtful	-
6	Loss	-
	Total Additional Loan Provision	29,308,390

Segregation of Investment Portfolio

	Particulars	Current Period
1	Held for Trading	298,280,000.00
2	Held for Maturity	9,863,846,598
3	Available for Sale	424,639,825
	Total Investment Portfolio	10,586,766,423

Eligible Credit Risk Mitigants (CRM) availed

As per the provisions of the New Capital Adequacy Framework, the bank has claimed all the eligible credit risk mitigants of NPR 11,212,560,698 for Balance Sheet and Off Balance Sheet exposures and availed benefit thereof.

Summary of the Banks internal approach to assess the adequacy of its capital to support current & future activities:

- Regular monitoring by the Compliance Department
- Supervision by the Top level Management