

NMB Bank Limited
Disclosure under Basel III
As at End of 2nd Quarter FY 2074/75

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	1,301,092,903
5	Retained Earnings	1,097,900,381
6	Unaudited Current Year Cumulative Profit	1,007,259,441
7	Debenture Redemption Reserve and Deferred Tax Reserve	259,696,449
8	Capital Adjustment Reserve	53,295,483
9	Less: Intangible Assets	(14,212,548)
10	Less: Deferred Tax Asset	(41,148,463)
11	Less: Investment in equity of institutions with financial interests	(210,000,000)
	Total Core Capital	11,340,515,927

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

	Details	Amount (NPR)
1	Subordinated Term Debt	300,000,000
2	General loan loss provision	771,510,849
3	Exchange Equalization Reserve	54,642,254
4	Investment Adjustment Reserve	16,205,056
5	Other Reserves	-
	Total Supplementary Capital	1,142,358,159

- 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 200,000,000 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 14,212,548 is deducted from Capital.
- Deferred Tax Assets amounting to NPR 41,148,463 is deducted from Capital.

• **Total qualifying capital:**

	Details	Amount (NPR)
1	Core Capital (Tier I)	11,340,515,927
2	Supplementary Capital (Tier II)	1,142,358,159
	Total Capital Fund (Tier I and Tier II)	12,482,874,086

• **Capital Adequacy Ratio:**

	Details	Percentage
1	Tier I Capital to Total Risk Weighted Exposure	11.87
2	Tier I and Tier II Capital to Total Risk Weighted Exposure	13.06

- 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	84,750,985,076
b.	Risk Weighted Exposure for Operational Risk	4,159,716,956
c.	Risk Weighted Exposure for Market Risk	1,986,581,119
	Total Risk Weighted Exposures (a+b+c)	90,897,283,151
	Add : RWE equivalent to reciprocal of capital charge of 3 % of gross income.	1,026,682,743
	Add : 2% of the the total RWE due to Supervisory add up	1,817,945,663
	Desired level of disclosure requirement has not been achieved. Add 2% of RWE	1,817,945,663
	Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	95,559,857,220

• 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	1,527,548,502
4	Claims on Corporate and Securities Firms	49,841,482,802
5	Claims on Regulatory Retail Portfolio	4,685,696,579
6	Claims secured by Residential Properties	6,925,104,032
7	Claims secured by Commercial Real Estate	354,490,786
8	Past Due Claims	797,160,820
9	High Risk Claims	5,678,229,806
10	Other Assets	3,573,896,262
11	Off Balance sheet items	11,367,375,487
	TOTAL	84,750,985,076

• Total Risk Weighted Exposure calculation table:

S.N.	Particulars	Amount (NPR)
a.	Risk Weighted Exposure for Credit Risk	84,750,985,076
b.	Risk Weighted Exposure for Operational Risk	4,159,716,956
c.	Risk Weighted Exposure for Market Risk	1,986,581,119
1	Total Risk Weighted Exposure	90,897,283,151
	Add : RWE equivalent to reciprocal of capital charge of 3 % of gross income.	1,026,682,743
	Add : 2% of the the total RWE due to Supervisory add up	1,817,945,663
	Desired level of disclosure requirement has not been achieved. Add 2% of RWE	1,817,945,663
	Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	95,559,857,220
2	Total Core Capital Fund (Tier 1)	11,340,515,927
3	Total Capital Fund (Tier 1 & Tier 2)	12,482,874,086
4	Total Core Capital to Total Risk Weighted Exposures	11.87
5	Total Capital to Total Risk Weighted Exposures	13.06

Amount of Non Performing Assets (NPAs)

	Category	Gross	Provision	Net
1	Restructure/Reschedule Loan	1,653,033	418,389	1,234,643
2	Substandard	207,206,176	51,801,544	155,404,632
3	Doubtful	270,750,391	135,375,196	135,375,196
4	Loss	374,186,771	374,186,771	-
	Total	853,796,371	561,781,900	292,014,471

NPA Ratio

Gross NPA to Gross Advances	1.20%
Net NPA to Net Advances	0.42%

Movement of Non Performing Assets

	Particulars	Ashwin End 2074	Poush End 2074	Movement
1	Restructure/Reschedule Loan	1,661,060	1,653,033	(8,027)
2	Substandard	367,327,447	207,206,176	(160,121,271)
3	Doubtful	315,092,594	270,750,391	(44,342,203)
4	Loss	391,113,543	374,186,771	(16,926,772)
	Total Non Performing Loan	1,075,194,644	853,796,371	(221,398,273)

Write off of Loans: NIL

Write off of Interest Suspense: NIL

Movement of Loan Loss Provision & Interest Suspense

	Category	Ashwin End 2074	Poush End 2074	Movement
1	Pass	616,255,880	691,771,249	75,515,369
2	Watch List	78,216,391.01	45,010,599	(33,205,792)
3	Restructured	298,387	418,389	120,002
4	Substandard	91,831,862	51,801,544	(40,030,318)
5	Doubtful	157,546,297	135,375,196	(22,171,102)
6	Loss	391,113,543	374,186,771	(16,926,772)
	Total Loan Provision	1,335,262,359	1,298,563,748	(36,698,611)
	Interest Suspense	287,374,555	287,374,555	-

Details of Additional Loan Loss Provision

	Category	Poush End 2074
1	Pass	48,624,000
2	Watch List	340,399
3	Restructured	-
4	Substandard	-
5	Doubtful	-
6	Loss	-
	Total Additional Loan Provision	48,964,398.56

Segregation of Investment Portfolio

	Particulars	Poush End 2074
1	Held for Trading	318,130,000.00
2	Held for Maturity	10,850,308,971
3	Available for Sale	583,106,000
	Total Investment Portfolio	11,751,544,970

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 11,529,107,296 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