Early Warning System

IFC-47324

SBL Nepal SME

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Quick Facts

Countries	Nepal
Financial Institutions	International Finance Corporation (IFC)
Status	Proposed
Bank Risk Rating	B
Voting Date	2023-02-10
Borrower	SIDDHARTHA BANK LIMITED
Sectors	Finance, Industry and Trade
Potential Rights Impacts	Healthy Environment, Labor & Livelihood
Investment Type(s)	Loan
Investment Amount (USD)	$ 55.00 million

Project Description

According to the IFC, the proposed investment comprises of a US$ 55 million investment through a 3-year USD denominated senior loan to Siddhartha Bank (SBL), to be used exclusively for on-lending to small and medium enterprises (SMEs) in Nepal (the Project) with US$ 5.5 million carveout for green financing. Of the US$ 55 million, US$ 25 million will be through mobilization.

SBL is a fast-growing commercial bank with a strong retail and small and medium enterprise segment. The shortage of liquidity in the financial sector is inherent in Nepal, and the business operations and economic activities of SMEs have been hampered by the COVID-19 pandemic. The proposed facility will assist SBL to further extend capital to the small and medium enterprise segment and contribute to improving liquidity in the financial sector and support the fast recovery of SMEs impacted by the COVID-19 pandemic, including the underserved rural SMEs. SBL is Nepal’s 6th largest bank in terms of total assets and has grown organically every year in ranking, size and profitability.

Early Warning System Project Analysis

IFC RISK RATING: F1-2

SBL's SME portfolio mainly comprises businesses engaged in wholesale/retail trading, agribusiness, small scale manufacturing, and small and medium sized construction companies engaged in commercial and residential projects. These industry sectors in SME segment, present medium-low Environmental & Social risks and impacts which are readily manageable. The typical risks areas include labor and working conditions, occupational health and safety, supply chain risk including child labor and biodiversity risks in the agribusiness, air emissions, waste management, and handling of hazardous materials, in the SME borrower's operations.

Investment Description

- International Finance Corporation (IFC)

The project involves a 3 year senior loan of US$30 million from IFC's own account and a 3 year senior syndicated loan of US$12.5 million, and another 3 year senior loan of US$12.5 million from IFC acting in its capacity as implementing entity for the Managed Co-Lending Portfolio Program (MCPP).

The project is intended to be used exclusively for on-lending to small and medium enterprises (SMEs) in Nepal with a carveout for green financing.

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- Siddhartha Bank (Financial Intermediary)

Private Actors Description

Siddhartha Bank is listed on the Nepal Stock Exchange and has over 125 million listed shares. The promoter group owns 51% of the bank’s shareholding. The remaining 49% shares are held by the public.

For the year ended 16 July 2022, the Bank reported total assets of US$2,033 million, loan book of US$1,424 million, net worth of US$168 million and deposits of US$1,473 million. The Bank has robust asset quality (with a gross non-performing assets ratio of 1.03%) and healthy profitability with return on total assets of 1.31% and return on equity of 15.22%. SBL is rated BBB+ by ICRA.
Siddhartha Bank is headquartered in Kathmandu, the capital city of Nepal.

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Siddhartha Bank	Client	-

Contact Information

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ACCESS TO INFORMATION

You can submit a request for information disclosure at: https://disclosures.ifc.org/#/inquiries

If you believe that your request for information from IFC has been unreasonably denied, or that this Policy has been interpreted incorrectly, you can submit a complaint at the link above to IFC's Access to Information Policy Advisor, who reports directly to IFC's Executive Vice President.

ACCOUNTABILITY MECHANISM OF IFC/MIGA

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org