

DISCLOSURE UNDER CAPITAL ADEQUACY FRAMEWORK OF NRB (BASEL II)**As on 29 Poush 2077 (13 January 2021)****1. CAPITAL STRUCTURE & CAPITAL ADEQUACY**

i. Core Capital (Tier I) (NRs. '000')

Particulars		Amount
A	Paid-up Equity Share Capital	2,540,195.35
B	Share Premium	-
C	Statutory General Reserve	338,726.14
D	Proposed Bonus Equity Share	-
E	Retained Earnings	26,045.45
F	Accumulated Profit/(Loss)	538,467.42
G	Capital Adjustment Reserve	-
H	Debenture Redemption Reserve	-
I	Other Free Reserve	-
J	Less: Deferred Tax Assets	30,646.27
K	Less: Purchase of land & building in excess of limit and unutilized	10,046.40
Total Core Capital (Tier I)		3,402,741.70

ii. Supplementary Capital (Tier II) (NRs. '000')

Particulars		Amount
A	Subordinate Term Debt	-
B	General Loan Loss Provision	340,143.66
C	Exchange Equalization Reserve	1.95
D	Investment Adjustment Reserve	6,319.21
Total Supplementary Capital (Tier II)		3,51,311.52

iii. Information about Subordinate Term Debt
The bank does not have any subordinated Term Debts

iv. Deduction From Capital (NRs. '000')

Particulars		Amount
Deferred Tax Assets		30,646.27
Purchase of land & building in excess of limit and unutilized		10,046.40
Total		40,692.67

v. Total Qualifying Capital (NRs. '000')

Particulars		Amount
Total Core Capital (Tier I)		3,402,741.70
Total Supplementary Capital (Tier II)		3,51,311.52
Total Capital Fund (Tier I + Tier II)		3,754,053.22

vi. Capital Adequacy Ratio (NRs. '000')

Capital Adequacy Ratio (Percentage)	12.10%
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- vii. Summary of the bank's internal approach to assess the adequacy of capital to support current and future activities

The bank considers the capital adequacy requirement pursuant to the provision set by NRB. The tier 1 capital ratio of the bank as at Poush 2077 is 10.96% and the total capital ratio is 12.10%. The bank has successfully achieved the paid up capital requirement of NRB, which is 2.5 billion. The capital adequacy is major factor that is considered in the bank's annual meeting, daily financial analysis and during ALCO meeting and Risk Management Committee meetings. The bank in its strategic planning cautiously considers the capital adequacy and projects capital adequacy required for the organization's growth.

2. Risk Exposure

- i. Risk Weighted Exposure for Credit Risk, Market Risk and Operational Risk (NRs. '000')

Particulars		Amount
A	Risk Weighted Exposure for Credit Risk	28,293,630.43
B	Risk Weighted Exposure for Operational Risk	1,795,705.21
C	Risk Weighted Exposure for Market Risk	8,393.85
D	Add: 2% of the total RWE as per NRB Direction	333,529.60
E	Add: 2% of the Gross Income as per NRB Direction	601,954.59
Total Risk Weighted Exposure (A+B+C+D+E)		31,033,213.68

- ii. Risk Weighted Exposure under each 17 Categories of Credit Risk (NRs. '000')

S. N.	Categories	Amount
A	Balance Sheet Exposures	43,788,343.33
1	Cash Balance	550,342.93
2	Balance With Nepal Rastra Bank	1,194,880.64
3	Investment in Nepalese Government Securities	3,754,260.00
4	Claims on domestic banks that meet capital adequacy requirements	4,667,217.10
5	Claims on Domestic Corporates (Unrated)	4,080,911.69
6	Regulatory Retail Portfolio (Not Overdue)	21,756,501.31
7	Claims secured by residential properties	1,707,063.13
8	Claims secured by residential properties (Overdue)	30,274.53
9	Claims secured by Commercial real estate	54,393.26
10	Past due claims (except for claims secured by residential properties)	810,354.09

11	High Risk claims	1,333,939.19
12	Lending Against Securities (Bonds & Shares)	1,072,147.83
13	Investments in equity and other capital instruments of institutions listed in stock exchange	517,191.31
14	Investments in equity and other capital instruments of institutions not listed in the stock exchange	15,156.60
15	Staff loan secured by residential property	180,066.74
16	Interest Receivable/claim on government securities	53,855.67
17	Other Assets (as per attachment)	2,009,787.30
B	Off- Balance Sheet Exposures	858,854.30
1	Bid Bond, Performance Bond and Counter guarantee domestic counterparty	147,015.06
2	Irrevocable Credit commitments (short term)	711,839.25
Total (A+B)		44,647,197.63

iii. Amount of Non-Performing Assets (Gross and Net Amount) (NRs. '000')

Particulars		Gross Amount	Provision	Net Amount
A	Restructured	-	-	-
B	Sub-standard	185,145.98	46,286.49	138,859.48
C	Doubtful	70,311.86	35,155.93	35,155.93
D	Loss	249,048.92	249,048.92	-
Total		504,506.76	330,491.34	174,015.42

iv. Non-Performing Assets (NPA) Ratios

NPA Ratios	Percentage (%)
Gross NPA to Gross Advances	1.59%
Net NPA to Net Advances	0.56%

v. Movement of Non-Performing Assets (NRs. '000')

S.No.	Particulars	Opening Balance (Ashwin End 2077)	Closing Balance (Ashwin End 2077)	Movement
Non-Performing Loan				
1	Restructured Loan	-	-	-
2	Sub-standard	202,308.46	46,286.49	156,021.97
3	Doubtful	400,836.65	35,155.93	365,680.72
4	Loss	205,981.26	249,048.92	(43,067.66)

- vi. Write Off Of Loans and Interest Suspense
Nil

- vii. Movement Of Loan Loss Provision (NRs. '000')

S.No.	Particulars	Opening Balance (Ashwin End 2077)	Closing Balance (Poush End 2077)	Movement
1	Pass	287,965.21	305,317.33	(17,352.12)
2	Watchlist	52,178.46	39,673.03	12,505.43
3	Restructure	-	-	-
4	Sub-standard	50,577.12	46,286.49	4,290.63
5	Doubtful	200,418.33	35,155.93	165,262.40
6	Loss	205,981.26	249,048.92	(43,067.66)
Total Loan Loss Provision		758,618.86	675,481.69	83,137.17

- viii. Details of Additional Loan Loss Provision (NRs. '000')

S.No.	Particulars	Ashwin End 2077
1	Pass	-
2	Watchlist	-
3	Restructure	-
4	Sub-standard	-
5	Doubtful	-
6	Loss	-
Total		-

- ix. Segregation of the Bank's Investment portfolio
Investments are segregated as per NRB Directive.
- Investment held for Trading : -
 - Investment held to Maturity: 3,754,260,000.00
 - Investment Available for Sales (Cost): 532,347,914.41

3. Risk Management Function

- i. Strategies and Policies

Risk management strategies and policies are paramount to mitigating risks that are faced by banks. In addition to maintaining adequate capital, the responsibility of the bank also lies in maintaining a balance between risk and return. Therefore, effective risk management is a must for sustainability of banks. Apart from the business credit department, a separate credit risk department has been formulated, and senior level staff has been handed the responsibility of ensuring that the risk management guidelines are properly placed and executed. Regarding operation risk, operation risk management policy has been formulated and effective channels are being formed to ensure that the policies are thoroughly followed. The Asset Liability Committee looks after the market risk and meetings are held periodically to ensure that the bank takes proper decisions based on the market situations.

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

A senior level staff has been appointed who is responsible to ensure that the credit risk are identified and mitigated. In operation, AML/CFT unit has been created and an experienced senior level manager has been appointed as compliance officer, who also looks after the operation risk. Customization is

under process to develop system/software to ensure AML/CFT and other operation risks are identified and necessary actions taken. The ALCO looks after the market risk. The Asset Liability committee has members from different department and therefore identification of risk and mitigating actions are decided right promptly. Apart from this, risk management committee, consisting of board members dully considers the situations and issues of risks faced by bank and further provide directions to reduce and mitigate risks.

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

The risk identified from credit, operation and market risk department are further discussed in management meetings, ALCO meetings and are placed before the risk management committee. The internal audit department also reviews the risk at every level and reports to the audit committee. Recently, whistle blowing policy has also been formulated to ensure that the risk are timely identified and mitigated.