

**DISCLOSURE UNDER CAPITAL ADEQUACY FRAMEWORK OF NRB (BASEL II)**  
**As on 30 Ashwin 2078 (17 October 2021)**

**1. CAPITAL STRUCTURE & CAPITAL ADEQUACY**

i. Core Capital (Tier I)

<b>Particulars</b>		<b>Amount (NRs. '000')</b>
a	Paid up Equity Share Capital	2,651,963.73
b	Irredeemable Non-cumulative preference shares	-
c	Share Premium	-
d	Proposed Bonus Equity Shares	-
e	Statutory General Reserves	419,586.41
f	Retained Earnings	971,025.68
g	Un-audited current year cumulative profit/(loss)	59,578.77
h	Capital Redemption Reserve	-
i	Capital Adjustment Reserve	-
j	Debenture Redemption Reserve	-
k	Dividend Equalization Reserves	-
l	Other Free Reserve	-
n	Less: Goodwill	-
o	Less: Fictitious Assets	-
p	Less: Investment in equity in licensed Financial Institutions	-
q	Less: Investment in equity of institutions with financial interests	-
r	Less: Investment in equity of institutions in excess of limits	-
s	Less: Investments arising out of underwriting commitments	-
t	Less: Reciprocal crossholdings	-
u	Less: Purchase of land & building in excess of limit and unutilized	10,046.40
v	Less: Other Deductions	-
<b>Total Core Capital (Tier I)</b>		<b>4,092,108.19</b>

ii. Supplementary Capital (Tier II)

<b>Particulars</b>		<b>Amount (NRs. '000')</b>
a	Cumulative and/or Redeemable Preference Share	-
b	Subordinated Term Debt	1,000,000.00
c	Hybrid Capital Instruments	-
d	General loan loss provision	614,775.69
e	Exchange Equalization Reserve	229.74
f	Investment Adjustment Reserve	3,000.00
g	Asset Revaluation Reserve	-
h	Other Reserves	-
<b>Total Supplementary Capital (Tier II)</b>		<b>1,618,005.44</b>

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

- iv. Deduction from Capital

Particulars		Amount (NRs. '000')
a	Less: Deferred Tax Assets	-
b	Less: Purchase of land & building in excess of limit and unutilized	10,046.40
<b>Total</b>		<b>10,046.40</b>

- v. Total Qualifying Capital

Particulars		Amount (NRs. '000')
a	Total Core Capital (Tier I)	4,092,108.19
b	Total Supplementary Capital (Tier II)	1,618,005.44
<b>Total Capital Fund (Tier I + Tier II)</b>		<b>5,710,113.63</b>

- vi. Capital Adequacy Ratio

Capital Adequacy Ratio (Percentage)	13.64%
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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 Ashwin 2078 is 9.78% and the total capital ratio is 13.64%. 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

Particulars		Amount (NRs. '000')
a	Risk Weighted Exposure for Credit Risk	37,979,752.37
b	Risk Weighted Exposure for Operational Risk	1,795,705.21
c	Risk Weighted Exposure for Market Risk	7,116.40
<b>Total Risk Weighted Exposures (Before adjustments of Pillar II)</b>		<b>39,782,573.99</b>
<b>Adjustments under Pillar II</b>		
a	Net liquid assets to total deposit ratio is shortfall by 1.55%, Add 2% of total deposit to RWE	941,843.06
b	Add RWE equivalent to reciprocal of capital charge of 2 % of gross income.	333,529.60

c	Overall risk management policies and precedures are not satisfactory. Add 2% of RWE	795,651.48
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)</b>		<b>41,853,598.12</b>

ii. Risk Weighted Exposure under each Categories of Credit Risk

S.N.	Categories	Amount (NRs. '000')
<b>A</b>	<b>Balance Sheet Exposures</b>	<b>58,580,395.46</b>
a	Cash Balance	664,250.95
b	Balance With Nepal Rastra Bank	3,233,777.28
c	Investment in Nepalese Government Securities	5,263,496.00
d	Claims on domestic banks that meet capital adequacy requirements	4,695,925.15
e	Claims on Domestic Corporates (Unrated)	4,517,025.49
f	Regulatory Retail Portfolio (Not Overdue)	29,594,606.26
g	Claims secured by residential properties	2,201,118.53
h	Claims secured by residential properties (Overdue)	73,821.71
i	Claims secured by Commercial real estate	21,871.90
j	Past due claims (except for claims secured by residential properties)	2,500,773.08
k	High Risk claims	1,731,734.26
l	Lending Against Securities (Bonds & Shares)	1,078,210.46
m	Investments in equity and other capital instruments of institutions listed in stock exchange	419,567.67
n	Investments in equity and other capital instruments of institutions not listed in the stock exchange	19,004.60
o	Staff loan secured by residential property	248,618.13
p	Interest Receivable/claim on government securities	38,185.97
q	Other Assets (as per attachment)	2,278,408.00
<b>B</b>	<b>Off- Balance Sheet Exposures</b>	<b>862,468.78</b>
a	Bid Bond, Performance Bond and Counter guarantee domestic counterparty	186,654.05

b	Irrevocable Credit commitments (short term)	675,814.73
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iii. Amount of Non-Performing Assets (Gross and Net Amount) (NRs. '000')

Particulars		Gross Amount	Provision	Net Amount
A	Restructured	-	-	-
B	Sub-standard	437,230.74	109,307.69	327,923.06
C	Doubtful	85,354.35	42,677.18	42,677.17
D	Loss	227,488.42	227,488.42	-
	<b>Total</b>	<b>750,073.51</b>	<b>379,473.28</b>	<b>370,600.23</b>

iv. Non-Performing Assets (NPA) Ratios

NPA Ratios		Percentage (%)
a	Gross NPA to Gross Advances	1.76%
b	Net NPA to Net Advances	0.89%

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

S.No.	Particulars	Opening Balance (Asar End 2078)	Closing Balance Ashwin End 2078)	Movement
<b>Non-Performing Loan</b>				
1	Restructured Loan	-	-	-
2	Sub-standard	293,365.04	437,230.74	143,865.70
3	Doubtful	119,194.84	85,354.35	(33,840.49)
4	Loss	190,054.35	227,488.42	37,434.07

vi. Write Off of Loans and Interest Suspense

<b>Write off of Loans</b>	-
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vii. Movement of Loan Loss Provision (NRs. '000')

S.No.	Particulars	Opening Balance (Asar End 2078)	Closing Balance Ashwin End 2078)	Movement
1	Pass	498,683.82	509,530.18	10,846.36
2	Watchlist	55,369.51	92,943.86	37,574.35
3	Restructure	-	-	-
4	Sub-standard	73,341.26	109,307.69	35,966.43
5	Doubtful	59,597.42	42,677.18	(16,920.24)
6	Loss	190,054.35	227,488.42	37,434.07
	<b>Total Loan Loss Provision</b>	<b>877,046.36</b>	<b>981,947.31</b>	<b>104,900.95</b>

## viii. Details of Additional Loan Loss Provision

(NRs. '000')

S.No.	Particulars	Ashwin End 2078
1	Pass	-
2	Watchlist	-
3	Restructure	-
4	Sub-standard	-
5	Doubtful	-
6	Loss	-
	<b>Total</b>	-

- ix. Segregation of the Bank's Investment portfolio  
Investments are segregated as per NRB Directive.

Investment held for Trading	Amount (Full Figure)
Investment held to Maturity	5,263,496,000.00
Investment Available for Sales (Cost)	438,572,268.99

### 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.