

DISCLOSURE UNDER CAPITAL ADEQUACY FRAMEWORK OF NRB (BASEL II)

As on 30 Chaitra 2079 (13 April 2023)

1. CAPITAL STRUCTURE & CAPITAL ADEQUACY

i. Core Capital (Tier I)

Particulars		Amount (NRs. '000')
a	Paid up Equity Share Capital	3,142,577.02
b	Irredeemable Non-cumulative preference shares	
c	Share Premium	
d	Proposed Bonus Equity Shares	
e	Statutory General Reserves	718,374.42
f	Retained Earnings	(225,315.94)
g	Un-audited current year cumulative profit/(loss)	305,679.02
h	Capital Redemption Reserve	
i	Capital Adjustment Reserve	
j	Debenture Redemption Reserve	
k	Dividend Equalization Reserves	
l	Other Free Reserve	
n	Less: Goodwill	(11,567.89)
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	
Total Core Capital (Tier I)		3,919,700.23

ii. Supplementary Capital (Tier II)

Particulars		Amount (NRs. '000')
a	Cumulative and/or Redeemable Preference Share	
b	Subordinated Term Debt	994,139.26
c	Hybrid Capital Instruments	
d	General loan loss provision	722,757.42
e	Exchange Equalization Reserve	1,027.32
f	Investment Adjustment Reserve	3,000.00
g	Asset Revaluation Reserve	
h	Other Reserves	
Total Supplementary Capital (Tier II)		1,720,924.00

iii. Information about Subordinate Term Debt

The bank has issued debenture of Rs. 1 billion having coupon rate of 9% and maturity period of 10 years. It has been recognised at amortised cost using effective interest method. The book value of debenture is Rs. 994.14 million as on Chaitra end, 2079

iv. Deduction From Capital

Particulars		Amount (NRs. '000')
a	Less: Goodwill	11,567.89
b	Less: Purchase of land & building in excess of limit and unutilized	10,046.40
Total		21,614.29

v. Total Qualifying Capital

Particulars		Amount (NRs. '000')
a	Total Core Capital (Tier I)	3,919,700.23
b	Total Supplementary Capital (Tier II)	1,720,924.00
Total Capital Fund (Tier I + Tier II)		5,640,624.23

vi. Capital Adequacy Ratio

Capital Adequacy Ratio (Percentage)	12.41%
-------------------------------------	--------

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 Chaitra 2079 is 8.62% and the total capital ratio is 12.41%. 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	41,666,732.58
b	Risk Weighted Exposure for Operational Risk	2,896,312.38
c	Risk Weighted Exposure for Market Risk	7,216.91
Total Risk Weighted Exposures (Before adjustments of Pillar II)		44,570,261.87
Adjustments under Pillar II		
a	Overall risk management policies and procedures are not satisfactory. Add 2% of RWE	891,405.24
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		45,461,667.11

ii. Risk Weighted Exposure under categories of Credit Risk

S.N.	Categories	Amount (NRs. '000')
A	Balance Sheet Exposures	59,830,564.14
a	Cash Balance	683,743.24
b	Balance With Nepal Rastra Bank	2,027,837.64
c	Investment in Nepalese Government Securities	6,338,119.08
d	Claims on domestic banks that meet capital adequacy requirements	5,138,088.21
e	Claims on Domestic Corporates (Unrated)	5,079,983.40
f	Regulatory Retail Portfolio (Not Overdue)	26,084,264.38
g	Claims secured by residential properties	2,292,560.62
h	Claims secured by residential properties (Overdue)	74,608.40
i	Claims secured by Commercial real estate	-
j	Past due claims (except for claims secured by residential properties)	2,388,560.66
k	High Risk claims	6,697,420.68
l	Lending Against Securities (Bonds & Shares)	148,766.23
m	Investments in equity and other capital instruments of institutions listed in stock exchange	553,981.92
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	293,469.70
p	Interest Receivable/claim on government securities	-
q	Other Assets (as per attachment)	2,010,155.36
B	Off- Balance Sheet Exposures	-
a	Bid Bond, Performance Bond and Counter guarantee domestic counterparty	-
b	Irrevocable Credit commitments (short term)	-

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

(NRs. '000)

Particulars		Gross Amount	Provision	Net Amount
A	Restructured	10,892.40	1,361.55	9,530.85
B	Sub-standard	483,154.21	118,549.05	364,605.17
C	Doubtful	507,819.83	250,651.93	257,167.90
D	Loss	466,206.41	465,851.45	354.96
Total		1,468,072.85	836,413.97	631,658.88

iv. Non-Performing Assets (NPA) Ratios

NPA Ratios		Percentage (%)
a	Gross NPA to Gross Advances	3.26%
b	Net NPA to Net Advances	1.45%

v. Movement of Non-Performing Assets

(NRs. '000)

S.No.	Particulars	Opening Balance (Pouch End 2079)	Closing Balance Chaitra End 2079)	Movement
Non-Performing Loan				
1	Restructured Loan	5,884.90	10,892.40	5,007.50
2	Sub-standard	688,526.69	483,154.21	(205,372.47)
3	Doubtful	537,739.57	507,819.83	(29,919.74)
4	Loss	431,225.20	466,206.41	34,981.21

vi. Write Off Of Loans and Interest Suspense

Write off of Loans	-
--------------------	---

vii. Movement Of Loan Loss Provision

(NRs. '000)

S.No.	Particulars	Opening Balance (Pouch End 2079)	Closing Balance Chaitra End 2079)	Movement
1	Pass	511,300.51	493,310.45	(17,990.06)
2	Watchlist	143,129.85	229,446.97	86,317.12
3	Restructure	735.61	1,361.55	625.94
4	Sub-standard	170,005.84	118,549.05	(51,456.79)
5	Doubtful	265,792.14	250,651.93	(15,140.22)
6	Loss	414,521.49	465,851.45	51,329.96
Total Loan Loss Provision		1,505,485.45	1,559,171.39	53,685.95

viii. Details of Additional Loan Loss Provision

(NRs. '000')

S.No.	Particulars	Chaitra End 2079
1	Pass	(17,990.06)
2	Watchlist	86,317.12
3	Restructure	625.94
4	Sub-standard	(51,456.79)
5	Doubtful	(15,140.22)
6	Loss	51,329.96
	Total	53,685.95

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

<input type="checkbox"/> Investment held for Trading	Amount (Full Figure)
<input type="checkbox"/> Investment held to Maturity:	6,338,119,080.00
<input type="checkbox"/> Investment Available for Sales (Cost):	572,986,518.96

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 sytem/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.