

DISCLOSURE UNDER CAPITAL ADEQUACY FRAMEWORK OF NRB (BASEL III)

As on 29 Poush 2081 (13 January 2025)

1. CAPITAL STRUCTURE & CAPITAL ADEQUACY

i. Core Capital (Tier I)

	Particulars	Amount (NRs. '000')
a	Paid up Equity Share Capital	3,510,846.20
b	Equity Share Premium	-
c	Proposed Bonus Equity Shares	-
d	Statutory General Reserves	910,376.53
e	Retained Earnings	17,461.78
f	Unaudited current year cumulative profit/(loss)	358,122.36
g	Capital Redemption Reserve	-
h	Capital Adjustment Reserve	-
i	Debenture Redemption Reserve	214,285.71
j	Dividend Equalization Reserves	-
k	Bargain Purchase Gain	-
l	Other Free Reserve	-
m	Less: Goodwill	-
n	Less: Intangible Assets	11,400.24
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: Cash Flow Hedge	-
w	Less: Defined Benefits Pension Assets	-
x	Less: Unrecognized Defined Benefit Pension Liabilities	-
y	Less: Negative Balances of reserve accounts	-
z	Less: Other Deductions	-
	Total Core Capital (Tier I)	4,989,645.95

ii. Supplementary Capital (Tier II)

	Particulars	Amount (NRs. '000')
a	Cumulative and/or Redeemable Preference Share	-
b	Subordinated Term Debt	781,945.04
c	Hybrid Capital Instruments	-
d	Stock Premium	-
e	General loan loss provision	569,387.06
f	Exchange Equalization Reserve	1,300.92
g	Investment Adjustment Reserve	3,000.00
h	Accrued Interest Receivable on pass loan included in Regulatory Reserve	70,732.30
i	Interest Capitalized Reserve included in Regulatory Reserve	2,844.60
j	Other Reserves	-
	Total Supplementary Capital (Tier II)	1,429,209.93

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. 996.23 million as on Poush end, 2081.

iv. Deduction From Capital

	Particulars	Amount (NRs. '000')
a	Less: Intangible Assets	11,400.24
b	Less: Purchase of land & building in excess of limit and unutilized	10,046.40
	Total	21,446.64

v. Total Qualifying Capital

	Particulars	Amount (NRs. '000')
a	Total Core Capital (Tier I)	4,989,645.95
b	Total Supplementary Capital (Tier II)	1,429,209.93
	Total Capital Fund (Tier I + Tier II)	6,418,855.88

vi. Capital Adequacy Ratio

Common Equity Tier 1 Capital to Total Risk Weighted Exposures	9.79%
Tier 1 Capital to Total Risk Weighted Exposures	9.79%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	12.59%

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 2081 is 9.79% and the total capital ratio is 12.59%. 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	45,550,965.16
b	Risk Weighted Exposure for Operational Risk	3,258,580.16
c	Risk Weighted Exposure for Market Risk	14,426.19
Total Risk Weighted Exposures (Before adjustments of Pillar II)		48,823,971.51
Adjustments under Pillar II		
a	Adjustment as per SRP 6.4a (7)	696,971.75
b	Adjustment as per SRP 6.4a (9)	1,464,719.15
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		50,985,662.40

ii. Risk Weighted Exposure under categories of Credit Risk

S.N.	Categories	Amount (NRs. '000')
A	Balance Sheet Exposures	45,132,805.84
	Claims on domestic banks that meet capital adequacy requirements	891,455.86
	Claims on Domestic Corporates (Unrated)	4,425,778.65
	Regulatory Retail Portfolio (Not Overdue)	22,957,242.99
	Claims secured by residential properties	2,568,991.59
	Claims secured by residential properties (Overdue)	45,759.81
	Past due claims (except for claims secured by residential properties)	2,599,510.66
	High Risk claims	5,181,321.88
	Real Estate loans for land acquisition and development (Other than mentioned in Capital Adequacy framework 2015-point 3.3(j)(1)(k))	865,085.00
	Lending against Shares(above Rs.5 Million)	1,741,555.68
	Lending against Shares(upto Rs.5 Million)	359,758.18
	Personal Hirepurchase/Personal Auto Loans	311,612.42
	Investments in equity and other capital instruments of institutions listed in stock exchange	652,144.58
	Investments in equity and other capital instruments of institutions not listed in the stock exchange	646,235.55
	Staff loan secured by residential property	159,684.79
	Other Assets (as per attachment)	1,726,668.19
B	Off- Balance Sheet Exposures	418,159.32
	Bid Bond, Performance Bond and Counter guarantee domestic counterparty	108,104.77
	Irrevocable Credit commitments (short term)	310,054.55

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

(NRs. '000')

Particulars		Gross Amount	Provision	Net Amount
A	Sub-standard	631,069.82	154,738.01	476,331.81
B	Doubtful	743,512.43	367,177.40	376,335.04
C	Loss	939,215.16	918,328.82	20,886.34
	Total	2,313,797.41	1,440,244.22	873,553.19

iv. Non-Performing Assets (NPA) Ratios

NPA Ratios		Percentage (%)
a	Gross NPA to Gross Advances	4.35%
b	Net NPA to Net Advances	1.72%

v. Movement of Non-Performing Assets

(NRs. '000')

Particulars	This Quarter	Previous Quarter	Change
Non-Performing Loan (In Amt)	2,313,797.41	2,046,988.62	266,808.79
Non-Performing Loan (In %)	4.35%	3.96%	0.39%

vi. Write Off Of Loans and Interest Suspense

(NRs. '000')

Loan written off during the reporting period	7,628.93
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vii. Movement Of Loan Loss Provision and Interest Suspense

(NRs. '000')

Particulars	This Quarter	Previous Quarter	Change
Loan Loss Provision	2,282,720.03	2,135,012.55	147,707.48
Interest Suspense	548,945.75	657,919.12	(108,973.37)

viii. Details of Additional Loan Loss Provision

(NRs. '000')

S.No.	Particulars	Amount
1	Pass	25,716.41
2	Watchlist	(82,524.76)
3	Sub-standard	(52,253.55)
4	Doubtful	226,775.70
5	Loss	29,993.68
	Total	147,707.48

ix. Segregation of the Bank's Investment portfolio

Investments are segregated as per NRB Directive.

(NRs. '000')

<input type="checkbox"/> Investment held for Trading	Amount
<input type="checkbox"/> Investment held to Maturity:	9,835,194.80
<input type="checkbox"/> Investment Available for Sale:	1,082,968.28

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.