

**DISCLOSURE UNDER CAPITAL ADEQUACY FRAMEWORK OF NRB (BASEL II)
AS ON 31st ASHAD 2077 (15 JULY 2020)**

1. CAPITAL STRUCTURE AND CAPITAL ADEQUACY
I. TIER-1 CAPITAL AND BREAKDOWN OF ITS COMPONENTS:

		NPR('000)
S.N.	Particulars	Amount
1	Paid up Equity Share Capital	811,121.22
2	Irredeemable Non-cumulative preference shares	
3	Share Premium	4,890.59
4	Proposed Bonus Equity Shares	
5	Statutory General Reserves	178,461.74
6	Retained Earnings	19,296.30
7	Un-audited current year cumulative profit/(loss)	
8	Capital Redemption Reserve	
9	Capital Adjustment Reserve	
10	Dividend Equalization Reserves	
11	Other Free Reserve	
12	Less: Goodwill	
13	Less: Deferred Tax Assets	1,788.12
14	Less: Fictitious Assets	
15	Less: Investment in equity in licensed Financial Institutions	
16	Less: Investment in equity of institutions with financial interests	
17	Less: Investment in equity of institutions in excess of limits	
18	Less: Investments arising out of underwriting commitments	
19	Less: Reciprocal crossholdings	
20	Less: Purchase of land & building in excess of limit and unutilized	11,508.32
21	Less: Other Deductions	
Total Core Capital		1,000,473.41

II. TIER-2 CAPITAL AND A BREAKDOWN OF ITS COMPONENTS:

		NPR('000)
S.N.	Particulars	Amount
1	Cumulative and/or Redeemable Preference Share	
2	Subordinated Term Debt	
3	Hybrid Capital Instruments	
4	General loan loss provision	113,318.35
5	Exchange Equalization Reserve	
6	Investment Adjustment Reserve	
7	Asset Revaluation Reserve	
8	Other Reserves	
Total Supplementary Capital		113,318.35

III. INFORMATION ABOUT SUBORDINATE TERM DEBT

The Bank does not have any subordinated Term Debt

IV. DEDUCTION FROM CAPITAL

	NPR('000)
Particulars	Amount
Deferred Tax Assets	1,788.13
Purchase of land & building in excess of limit and unutilized	11508.32

V. TOTAL QUALIFYING CAPITAL

	NPR('000)
Particulars	Amount
Total Core Capital(Tier I)	1,000,473.41
Total Supplementary Capital(Tier II)	113,318.35
Total Capital Fund(Tier I + Tier II)	1,113,791.77

VI. CAPITAL ADEQUACY RATIO

Particulars	Percentage
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	11.04%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	12.29%

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 Ashad 2077 is 11.04% and the total capital ratio is 12.29%. 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

		NPR('000)
S.N	Particulars	Amount
a	Risk Weighted Exposure for Credit Risk	8,099,170.07
b	Risk Weighted Exposure for Operational Risk	608,416.02
c	Risk Weighted Exposure for Market Risk	317.35
Total Risk Weighted Exposures (Before adjustments of Pillar II)		8,707,903.44
Adjustments under Pillar II		
SRP 6.4a (5)	ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	-

SRP 6.4a (6)	Add.....% of the total deposit due to insufficient Liquid Assets	-
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 2-5% of gross income	96,327.10
SRP 6.4a (9)	If overall risk management policies and procedures are not satisfactory. Add% of RWE	174,158.07
SRP 6.4a (10)	If desired level of disclosure requirement has not been achieved, Add.....% of RWE	87,079.03
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		9,065,467.64

ii. Risk Weighted Exposure under each 11 Categories of Credit Risk

Particulars	NPR('000)
	Amount
Claims on Government and Central Bank	-
Claims on other official entities	-
Claims on Banks	465,996.27
Claims on Corporate and Securities Entities	2,400,698.61
Claims on Regulatory Retail Portfolio	2,331,164.61
Claims secured by residential properties	671,354.52
Claims secured by Commercial real estate	397,288.48
Past due claims	195,740.26
High Risk claims	650,342.12
Other Assets	851,388.20
TOTAL (A)	7,963,973.07

iii. Total Risk Weighted Exposure Calculation Table:

(Rs. in '000)

A. Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
	A	b	c	d=a-b-c	E	f=d*e
Cash Balance	429,386.03			429,386.03	0%	-
Balance With Nepal Rastra Bank	319,857.23			319,857.23	0%	-
Gold				-	0%	-
Investment in Nepalese Government Securities				-	0%	-
All Claims on Government of Nepal				-	0%	-
Investment in Nepal Rastra Bank securities				-	0%	-
All claims on Nepal Rastra Bank				-	0%	-
Claims on Foreign				-	0%	-

Government and Central Bank (ECA 0-1)						
Claims on Foreign Government and Central Bank (ECA - 2)			-	-	20%	-
Claims on Foreign Government and Central Bank (ECA - 3)			-	-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)			-	-	100%	-
Claims on Foreign Government and Central Bank (ECA - 7)			-	-	150%	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework				-	0%	-
Claims on Other Multilateral Development Banks			-	-	100%	-
Claims on Domestic Public Sector Entities			-	-	100%	-
Claims on Public Sector Entity (ECA 0-1)			-	-	20%	-
Claims on Public Sector Entity (ECA 2)			-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)			-	-	100%	-
Claims on Public Sector Entity (ECA 7)			-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	2,329,981.35		-	2,329,981.35	20%	465,996.27
Claims on domestic banks that do not meet capital adequacy requirements	20,636.14	20,636.14	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)			-	-	20%	-
Claims on foreign bank (ECA Rating 2)			-	-	50%	-
Claims on foreign bank (ECA Rating 3-6)			-	-	100%	-

Claims on foreign bank (ECA Rating 7)			-	-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement			-	-	20%	-
Claims on Domestic Corporates	2,400,698.61		-	2,400,698.61	100%	2,400,698.61
Claims on Foreign Corporates (ECA 0-1)			-	-	20%	-
Claims on Foreign Corporates (ECA 2)			-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)			-	-	100%	-
Claims on Foreign Corporates (ECA 7)			-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	3,129,887.99		21,668.51	3,108,219.48	75%	2,331,164.61
Claims fulfilling all criterion of regularity retail except granularity			-	-	100%	-
Claims secured by residential properties	1,118,924.19		-	1,118,924.19	60%	671,354.52
Claims not fully secured by residential properties			-	-	150%	-
Claims secured by residential properties (Overdue)	33,385.68	18,897.84	-	14,487.84	100%	14,487.84
Claims secured by Commercial real estate	397,288.48		-	397,288.48	100%	397,288.48
Past due claims (except for claims secured by residential properties)	302,703.16	172,209.65	-	130,493.51	150%	195,740.26
High Risk claims	433,561.41		-	433,561.41	150%	650,342.12
Lending Against Securities (Bonds & Shares)	90,924.75		-	90,924.75	100%	90,924.75
Investments in equity and other capital instruments of institutions listed in stock exchange	110,211.46		-	110,211.46	100%	110,211.46
Investments in equity and other capital instruments of institutions not listed	80,100.00		-	80,100.00	150%	120,150.00

in the stock exchange						
Staff loan secured by residential property				-	50%	-
Interest Receivable/claim on government securities				-	0%	-
Cash in transit and other cash items in the process of collection				-	20%	-
Other Assets (as per attachment)	515,614.16	-	-	515,614.16	100%	515,614.16
TOTAL (A)	11,713,160.65	211,743.64	21,668,51	11,479,748.50		7,963,973.07

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Revocable Commitments				-	0%	-
Bills Under Collection				-	0%	-
Forward Exchange Contract Liabilities			-	-	10%	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	14,210.49		-	14,210.49	20%	2,842.10
Foreign counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign counterparty (ECA Rating 2)			-	-	50%	-
Foreign counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign counterparty (ECA Rating 7)			-	-	150%	-
LC Commitments With Original Maturity Over 6 months domestic counterparty			-	-	50%	-
Foreign counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign counterparty (ECA Rating 2)			-	-	50%	-

Foreign counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign counterparty (ECA Rating 7)			-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	55,356.00		-	55,356.00	50%	27,678.00
Foreign counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign counterparty (ECA Rating 2)			-	-	50%	-
Foreign counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign counterparty (ECA Rating 7)			-	-	150%	-
Underwriting commitments			-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral			-	-	100%	-
Repurchase Agreements, Assets sale with recourse			-	-	100%	-
Advance Payment Guarantee			-	-	100%	-
Financial Guarantee			-	-	100%	-
Acceptances and Endorsements			-	-	100%	-
Unpaid portion of Partly paid shares and Securities			-	-	100%	-
Irrevocable Credit commitments (short term)	523,384.50		-	523,384.50	20%	104,676.90
Irrevocable Credit commitments (long term)			-	-	50%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement				-	20%	-

Other Contingent Liabilities			-	-	100%	-
Unpaid Guarantee Claims			-	-	200%	-
TOTAL (B)	592,950.99	-	-	592,950.99		135,197.00
Total RWE for credit Risk Before Adjustment (A) + (B)	12,306,111.63	211,743.64	21,668.51	12,072,699.49		8,099,170.07
<u>Adjustments under Pillar II</u>						
SRP 6.4a(3) - Add 10% of the loans & facilities in excess of Single Obligor Limits to RWE						-
SRP 6.4a(4) - Add 1% of the contract (sale) value in case of the sale of credit with recourse to RWE						-
Total RWE for Credit Risk after Bank's adjustments under Pillar II	12,306,111.63	211,743.64	21,668.51	12,072,699.49		8,099,170.07

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

(NPR'000)

Particulars	Gross Amount	Provision	Net Amount
Substandard	123,917.07	30,979.27	92,937.80
Doubtful	104,087.08	52,043.54	52,043.54
Loss	108,084.69	108,084.69	-
Total	336,088.84	191,107.50	144,981.34

v. Non-Performing Assets (NPA) Ratios

Particulars	Percentage
Gross NPA to Gross Advances	4.25
Net NPA to Net Advances	1.92

vi. Movement of Non-Performing Assets

(NPR'000)

Particulars	Balance (Chaitra 2076)	Balance (Ashadh 2077)	Movement
Substandard	133,626.91	123,917.07	(9,709.84)
Doubtful	124,416.41	104,087.08	(20,329.33)
Loss	32,744.87	108,084.69	75,339.82
Total	290,788.19	336,088.84	45,300.65

vii. Write off loans and Interest Suspense

During 4th quarter 2076/77 the bank has not written off any loans and advances.

viii. Movement of Loan Loss Provision and Interest Suspense**(NPR'000)**

Particulars	Balance (Chaitra 2076)	Balance (Ashadh 2077)	Movement
Pass	75,424.90	63,033.87	(12,391.03)
Watch list	5,438.29	92,132.44	86,694.15
Substandard	33,406.73	30,979.27	(2,427.46)
Doubtful	62,208.20	52,043.54	(10,164.66)
Loss	32,744.87	108,084.69	75,339.82
Total	209,222.99	346,273.80	137,050.81

ix. Interest Suspense**(NPR'000)**

Particulars	Balance (Chaitra 2076)	Balance (Ashadh 2077)	Movement
Interest Suspense	134,680.92	109,568.85	(25,112.07)

x. Details of Additional Loan Loss Provision**(NPR'000)**

Particulars	Movement
Pass	(12,391.03)
Watchlist	86,694.15
Substandard	(2,427.46)
Doubtful	(10,164.66)
Loss	75,339.82
Total	137,050.81

xi. Segregation of the Bank's Investment portfolio

Investments are segregated as under:

	(NPR'000)
Particulars	Amount
Investment securities measured at amortized cost	-
Investment in equity measured at FVTOCI	190,311.46
Investment in unquoted associates	-
Other Trading Assets	-
Total	190,311.46

3. Risk Management Function

The bank has a risk management system to identify, assess, monitor the risk inherent in banking operation such as credit risk, market risk, liquidity risk, operation risk, capital adequacy and provide appropriate directions and guidelines to the management for mitigation of risk. A risk management system incorporating every area has been formed for effective risk management.

i. Credit Risk

The bank has Credit Policy Guideline, standardized form for analysis of risk and credit worthiness, inspection and supervision before the loan approval, delegation of approving authority to various level, risk assessment from risk department, compliance of NRB directive is ensured. Risk Weighted Exposure for Credit Risk has been calculated as per NRB Capital Adequacy Framework.

ii. Operation Risk

The bank has formed various policies for mitigating the operation risk like Financial Administration bylaws, Employee Bylaws, Operation Manual, AML/CFT policy. Risk Weighted Exposure for Credit Risk has been calculated as per NRB Capital Adequacy Framework.

iii. Market Risk

The Assets Liabilities Management Committee (ALCO)/Finance Department regularly meets and decide proactively to cope up with the market risk. Risk Weighted Exposure for market risk has been calculated as per the NRB capital Adequacy Framework.

iv. Liquidity Risk

To mitigate the liquidity risk, the bank has daily monitors the liquidity position. Periodic review of gap over the assets and liabilities management is done.

v. Reputational Risk

The management committee is responsible for protecting the bank's reputation and ensures bank does not take any activity that may cause material damage to reputation of the bank. Further, the bank has appointed the information officer.