

Disclosure under Capital Adequacy Framework

As at Chaitra 2074

1. Capital Structure and Capital Adequacy

1.1. Capital Adequacy Ratio

Capital Adequacy Ratios	Ratio
Common Equity Tier I Ratio	15.16%
Core Capital Ratio - Tier I	15.16%
Total Capital Ratio - Tier I + Tier II	16.13%

1.2. Total Qualifying Capital:

Qualifying Capital	Amount (In Million)
Core Capital (Tier I Capital)	8,932.71
Supplementary Capital (Tier II)	572.89
Total Capital Fund (Tier I and Tier II)	9,505.60

1.3. Tier 1 Capital and breakdowns of its Components

Particulars	Amount (In Million)
Paid up Equity Share Capital	8,000.79
Share Premium	-
Proposed Bonus Equity Shares	-
Statutory General Reserves	705.02
Retained Earnings	0.35
Un-audited current year cumulative profit/(loss)	575.73
Capital Redemption Reserve	-
Capital Adjustment Reserve	0.00
Dividend Equalization Reserves	-
Other Free Reserve	42.50
Less: Goodwill	-
Less: Intangible Assets	73.49
Less: Deferred Tax Assets	42.50
Less: Fictitious Assets	-
Less: Investment in equity in licensed Financial Institutions	34.81
Less: Investment in equity of institutions with financial interests	-
Less: Investment in equity of institutions in excess of limits	-
Less: Investments arising out of underwriting commitments	-
Less: Reciprocal crossholdings	-
Less: Purchase of land & building in excess of limit and unutilized	214.93

Particulars	Amount (In Million)
Less: Cash Flow Hedge	-
Less: Defined Benefits Pension Assets	-
Less: Unrecognized Defined Benefit Pension Liabilities	-
Less: Other Deductions	25.96
Adjustments under Pillar II	-
Less: Shortfall in Provision	-
Less: Loans & Facilities extended to related parties and restricted lending	-
Common Equity Tier I (CET 1)	8,932.71
Perpetual Non-Cumulative Preference Share Capital	-
Perpetual Debt Instruments	-
Stock Premium	-
Additional Tier I (AT 1)	-
Tier 1 Capital (Core Capital) (CET1 + AT1)	8,932.71

1.4. Tier 2 Capital and breakdowns of its Components

Particulars	Amount (In Million)
Cumulative and/or Redeemable Preference Share	-
Subordinated Term Debt	-
Hybrid Capital Instruments	-
Stock Premium	-
General Loan Loss Provision	537.03
Exchange Equalization Reserve	11.81
Investment Adjustment Reserve	24.05
Assets Revaluation Reserve	-
Other Reserves	-
Supplementary Capital (Tier II)	572.89

Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, amount raised during the year and amount eligible to be reckoned as capital funds:

We have no such subordinated term debt.

Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities, if applicable:

- a) Periodic supervision by the top management.
- b) Regular monitoring by the internal audit department.

Summary of terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments:

Bank does not have any other capital and instruments except fully paid equity shares as qualifying capital.

2. Risk Exposure

2.1 Risk weighted exposures for Credit Risk, Market Risk and Operational Risk:

Particulars	Amount (In Million)
Risk Weighted Exposure for Credit Risk	53,026.80
Risk Weighted Exposure for Operational Risk	1,823.86
Risk Weighted Exposure for Market Risk	41.31
Total Risk Weighted Exposures	54,891.97
Adjustments under Pillar II	
Add: ..% of the total deposit due to insufficient Liquid Assets(6.4 a 6)	
Add: 3% of the total RWE charge from NRB (6.4a (9))	1,646.76
Add: 3% of the total RWE charge from NRB (6.4 a 10)	1,646.76
Add: 4% capital charge from NRB to risk weighted exposure for operational risk	741.12
Total Risk weighted Exposures (After bank's Adjustment of Pillar II)	58,926.61

2.2 Risk Weighted Exposures under each of 11 categories of Credit Risk:

Particulars	Amount (In Million)
a) Claims on government & central bank	-
b) Claims on other official entities	451.58
c) Claims on banks	1,058.82
d) Claims on corporate & securities firms	25,830.98
e) Claims on regulatory retail portfolio	10,882.05
f) Claims secured by residential properties	2,334.30
g) Claims secured by commercial real state	467.17
h) Past due claims	1,685.33
i) High risk claims	4,338.18
j) Other assets	1,662.86
k) Off balance sheet items	4,315.53
Total Risk Weightage Assets	53,026.80

2.3 Total risk weighted exposure calculation table:

Amount (In Million)						
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	1,274.94	-	-	1,274.94	0%	-
Balance With Nepal Rastra Bank	3,291.18	-	-	3,291.18	0%	-
Gold	0.03	-	-	0.03	0%	-
Investment in Nepalese Government Securities	5,311.69	-	-	5,311.69	0%	-
All Claims on Government of Nepal	16.00	-	-	16.00	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-
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 Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)	451.58	-	-	451.58	100%	451.58
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-

A. Balance Sheet Exposures	Amount (In Million)					
	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
	A	B	c	d=a-b-c	e	f=d*e
Claims on domestic banks that meet capital adequacy requirements	2,737.93	-	74.09	2,663.84	20%	532.77
Claims on domestic banks that do not meet capital adequacy requirements	74.39	-	-	74.39	100%	74.39
Claims on foreign bank (ECA Rating 0-1)	240.28	-	-	240.28	20%	48.06
Claims on foreign bank (ECA Rating 2)	800.59	-	-	800.59	50%	400.29
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	16.57	-	-	16.57	20%	3.31
Claims on Domestic Corporates	25,870.98	-	40.00	25,830.98	100%	25,830.98
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)	14,891.44	-	382.03	14,509.40	75%	10,882.05
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	3,660.18	-	-	3,660.18	60%	2,196.11
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	169.52	31.32	-	138.19	100%	138.19
Claims secured by Commercial real estate	467.17	-	-	467.17	100%	467.17

Amount (In Million)						
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
Past due claims (except for claims secured by residential properties)	1,640.69	512.86	4.28	1,123.56	150%	1,685.33
High Risk claims	2,884.55	-	72.43	2,812.12	150%	4,218.17
Investments in equity and other capital instruments of institutions listed in stock exchange	89.81	1.17	-	88.64	100%	88.64
Investments in equity and other capital instruments of institutions not listed in the stock exchange	21.01	0.10	-	20.91	150%	31.36
Staff loan secured by residential property	561.10	-	-	561.10	60%	336.66
Interest Receivable/claim on government securities	66.80	-	-	66.80	0%	-
Cash in transit and other cash items in the process of collection	0.04	-	-	0.04	20%	0.01
Other Assets (as per attachment)	2,256.82	930.63	-	1,326.19	100%	1,326.19
TOTAL (A)	66,795.27	1,476.08	572.83	64,746.37		48,711.27

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	19.42	-	-	19.42	0%	-
Forward Exchange Contract Liabilities	2,768.26	-	-	2,768.26	10%	0.00
LC Commitments With Original Maturity Upto 6 months domestic counterparty	1,098.13	-	63.92	1,034.21	20%	0.00
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-
LC Commitments With Original Maturity Over 6 months domestic counterparty	490.97	-	9.91	481.06	50%	0.00
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%	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	789.85	-	60.14	729.71	50%	0.00
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	511.56	-	3.68	507.88	100%	0.00
Financial Guarantee	87.82	-	-	87.82	100%	0.00
Acceptances and Endorsements	518.35	-	26.47	491.89	100%	0.00
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (short term)	3,505.97	-	-	3,505.97	20%	0.00
Irrevocable Credit commitments (long term)	2,875.38	-	-	2,875.38	50%	0.00
Claims on foreign bank incorporated in SAARC region operating with a	-	-	-	-	20%	-

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
buffer of 1% above their respective regulatory capital requirement						
Other Contingent Liabilities	-	-	-	-	100%	-
Unpaid Guarantee Claims	-	-	-	-	200%	-
TOTAL (B)	12,665.73	-	164.12	12,501.61		4,315.53
Total RWE for credit Risk Before Adjustment (A) +(B)	79,461.00	1,476.08	736.95	77,247.97		53,026.80
<i>Adjustments under Pillar II</i>						
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	79,461.00	1,476.08	736.95	77,247.97		53,026.80

2.4 Details of Non-Performing Assets (Gross amount and Net amount):

Particulars	Gross (Rs. In Million)	Net (Rs. In Million)
Restructured and rescheduled loan	-	-
Sub-standard loan	429.01	321.96
Doubtful loans	261.78	131.02
Bad loan	306.37	-
Total	997.16	452.98
Provision For Loss(Non-Performing Loans Only)	544.18	-
Net Amount	452.98	-

2.5 NPA Ratio:

Particulars	Ratio
Gross NPA to Gross Advances	1.95%
Net NPA to Net Advances	0.90%

2.6 Movement of Nonperforming Assets:

Particulars	This Quarter (Rs. In Million)	Previous Quarter (Rs. In Million)	Changes (%)
Non-Performing Assets (Gross)	997.16	1,291.40	-22.78%
Non-Performing Assets (Net of Provisions)	452.98	612.54	-26.05%

2.7 Write off of loans and interest Suspense during the Period:

Write off of loans during the period is NPR 43,142,103.01

Write off of interest suspense during the period is NPR 101,627,197.73

2.8 Movements in Loan Loss Provisions and interest suspense:

Particulars	This Quarter (Rs. In Million)	Previous Quarter (Rs. In Million)	Changes (%)
Loan Loss Provision	1,081.21	1,185.29	-8.78%
Interest Suspense	315.19	406.77	-22.51%

2.9 Details of additional Loan Loss Provision:

Particulars	This Quarter (Rs. In Million)
1. a. Pass	28.13
1. b. Watch List	2.47
2. Restructured	-
3. Substandard	(30.44)
4. Doubtful	(68.44)
5. Loss	7.34
6. Provision of Non-Banking Assets	-
Total Loan Loss Provision	(60.94)

2.10 Segregation of Investment Portfolio:

Particulars	This Quarter (Rs. In Million)
Held for Trading	7.44
Held to Maturity	5,237.85
Available for Sale	210.76
Total Investments	5,456.05

3. Risk Management Function

Strategies and Processes

Credit risk process is a joint effort between business and credit areas. Relationship Managers involved in business interact with Credit Risk Officers in analyzing inherent risks in the customer's business, cash flow and structure a facility that simultaneously accommodates the Financing needs, while assuring seniority, protection and control of bank's assets and primary & secondary collateral.

The structure and organization of the relevant risk Management function

The Board of Directors (BOD) is the ultimate authority in decision making process. The process, however, is initiated at the business unit, credit risk department and goes through the CEO, and the BOD. The risk management stops at different levels depending on the Bank's policy relating to approval discretions. Further policy manuals on credit, asset liability, information technology & operations are also available to guide the staff on day to day business.

The scope and Nature of risk reporting and / or Measurement systems

Risk reporting/ measurement system is done through regular customer interactions, site inspections & annual reviews. This is a continuous process. Further, quarterly review of the bank's performance is conducted every quarter and Findings reported to the BOD.

Policies for hedging and / or mitigating risk and strategies, and processes for monitoring the continuing effectiveness of hedges / mitigantes

Policies for mitigating risks & strategies are as outlined in the respective manuals and as discussed at various levels after customer interactions/ visits, during annual reviews, quarterly reviews and at meetings at various levels.

Types of eligible credit risk mitigant used and the benefits availed under CRM:

Particulars	Eligible CRM (Rs. In Million)
Deposits with Bank	599.47
Deposits with other Banks / FI	-
Gold	137.48
Govt. & NRB Securities	-
Sec/ G'tee of Other Sovereigns	-
Total	736.95

Internal Capital Adequacy Assessment Process (ICAAP):

The bank has been preparing internal capital adequacy assessment on daily basis while it has been monitored by management committee on fortnightly basis.

Stress testing:

The bank has been conducting stress testing which is being reported to the Board of Directors on quarterly basis.