

DISCLOSURE UNDER CAPITAL ADEQUACY FRAMEWORK OF NRB (BASEL-II)



AS ON ASADH END 2081



DISCLOSURE UNDER BASEL-II

As on 31ST Asadh 2081

1. CAPITAL STRUCTURE & CAPITAL ADEQUACY

i. Core Capital (Tier I)

(NPR '000')

Particulars		Amount
A	Paid-up Equity Share Capital	519,000.00
B	Share Premium	1.81
C	Statutory General Reserve	17,697.30
D	Proposed Bonus Equity Share	
E	Retained Earnings	27,759.41
F	Un-audited Cumulative Profit/(Loss)	45,087.51
G	Capital Adjustment Reserve	-
H	Debenture Redemption Reserve	-
I	Other Free Reserve	-
I	Less: Deferred Tax Assets	-
J	Less: Purchase of land & building in excess of limit and unutilized	-
Total Core Capital (Tier I)		609,546.58

ii. Supplementary Capital (Tier II)

(NPR '000')

Particulars		Amount
A	Subordinate Term Debt	-
B	General Loan Loss Provision	63,462.18
C	Investment Adjustment Reserve	-
D	Exchange Equalization Reserve	-
Total Supplementary Capital (Tier II)-Eligible		63,462.18

iii. Information about Subordinate Term Debt

The Bank does not have any subordinated term debts.



iv. Total Qualifying Capital

(NPR '000')

Particulars	Amount
Total Core Capital (Tier I)	609,546.58
Total Supplementary Capital (Tier II)	63,462.18
Total Capital Fund (Tier I + Tier II)	673,008.76

v. Capital Adequacy Ratio

Particulars	Percentage
Tier I Capital to Total RWE	14.26%
Tier I + Tier II Capital to Total RWE	15.74%

vi. Summary of the 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 on Asadh 2081 is 14.26% and the total capital ratio is 15.74%. The bank in its strategic planning cautiously considers the capital adequacy and manage 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')

Particulars	Amount
A Risk Weighted Exposure for Credit Risk	3,827,354.81
B Risk Weighted Exposure for Operational Risk	225,510.19
C Risk Weighted Exposure for Market Risk	-
Total Risk Weighted Exposure (Before adjustment of Pillar II)	4,052,865.00

Adjustments

SRP 6.4a (5)	ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	1,595.76
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	59,439.90
SRP 6.4a (9)	If overall risk management policies and procedures are not satisfactory. Add 4 % of RWE	162,114.60
SRP 6.4a (10)	If desired level of disclosure requirement has not been achieved, Add% of RWE	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		4,276,015.27



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

(NPR '000')

Particulars		Amount
A	Balance Sheet Exposures	3,818,212.93
1	Claims on Government and Central Bank	-
2	Claims on Other Official Entities	-
3	Claims on Domestic Banks	155,206.31
4	Claims on Corporate and Securities Entities	122,360.59
5	Claims on Regulatory Retail Portfolio (Not overdue)	1,609,111.58
6	Claims Secured by Residential Properties	418,810.55
7	Claims Secured by Residential Properties (Overdue)	18,336.95
8	Claims Secured by Commercial Real Estate	-
9	Past Due Claims	181,693.98
10	High Risk Claims	900,011.49
11	Lending against share (above 5 million)	7,555.59
12	Lending against share (up to 5 million)	30,729.04
13	Personal Hirepurchase/Personal Auto Loans	113,948.63
14	Investments in equity and other capital instruments of institutions listed in stock exchange	18,879.18
15	Investments in equity and other capital instruments of institutions not listed in the stock exchange	7,500
16	Staff loan secured by residential property	4,584.71
17	Other Assets	229,484.35
B	Off- Balance Sheet Exposures	9,590.04
1	Bid Bond, Performance Bond and Counter guarantee domestic counterparty	300
2	Irrevocable Credit commitments (short term)	8,841.89
3	Irrevocable Credit commitments (Long term)	-
Total (A+B)		3,827,354.81

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

(NPR '000')

Particulars		Gross Amount	Provision	Net Amount
A	Restructured	14,932.11	929.99	14,002.12
B	Sub-standard	32,140.81	7,154.64	24,986.17
C	Doubtful	36,482.23	16,093.26	20,388.97
D	Loss	50,009.08	45,304.42	4,704.66
Total		133,564.23	69,482.31	50,079.80



iv. Non-Performing Assets (NPA) Ratios

NPA Ratios	Percentage (%)
Gross NPA to Gross Advances	3.18%
Net NPA to Net Advances	1.23%

v. Movement of Non-Performing Assets

(NPR '000')

Particulars	Opening Balance (Chaitra End 2080)	Closing Balance (Asadh End 2081)	Movement
A Restructured	0	14,932.11	14,932.11
B Sub-standard	118,518.78	32,140.81	(86,377.98)
C Doubtful	59,459.85	36,482.23	(22,977.62)
D Loss	42,907.68	50,009.08	7,101.40
Total	220,886.32	133,564.23	(87,322.09)

vi. Write Off of Loans and Interest Suspense

Nil

vii. Movement of Loan Loss Provision

(NPR '000')

Particulars	Opening Balance (Chaitra End 2080)	Closing Balance (Asadh End 2081)	Movement
A Pass	35,471.33	42,264.74	6,793.41
B Watch-list	28,803.33	21,902.10	(6,901.23)
C Reschedule	-	929.99	929.99
D Sub-standard	27,838.06	7,154.64	(20,683.42)
E Doubtful	25,572.69	16,093.26	(9,479.43)
F Loss	35,998.91	45,304.42	9,305.50
Total	153,684.32	133,649.14	(20,035.18)

viii. Segregation of the Bank's Investment portfolio

Investments are segregated as per NRB Directive.

(NPR '000')

Particulars	Amount
Investment held for Trading:	24,421.06
Investment held to Maturity:	614,588
Investment Available for Sale (Cost):	-



3. Risk Management Function

The bank has a risk management system to identify, assess, and 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 Risk Management Policy, Credit policy Guidelines and standardized form for analyzing the risk and credit worthiness. The bank's Credit Risk Unit is structured for inspection and supervision of loan proposals before the loan approval. Furthermore, delegation of approving authority to various level and compliance of NRB directive is ensured. Risk Weighted Exposure for Credit Risk has been calculated as per NRB Capital Adequacy Framework.

ii. Operational 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 Operation Risk has been calculated as per NRB Capital Adequacy Framework.

iii. Market Risk

Finance Department act 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 daily monitors the liquidity position. Similarly, periodic review of gap over the assets and liabilities is also performed.

v. Reputational Risk

The management team along with all staffs are 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 also has appointed the information officer.

