

ADDITIONAL DISCLOSURE UNDER BASEL II
As per Capital Adequacy Framework 2007 (Updated 2008)

The extract presented hereunder is as per disclosure requirement of Capital Adequacy Framework 2007 (Updated 2008) as issued by Nepal Rastra Bank for the period ended 32nd Ashar 2079 (16th July 2022).

1. Capital Structure and Capital Adequacy:

▪ **Core Capital (Tier 1)** **(Rs. in '000)**

Particulars		Amount (Rs.)
a.	Paid up Equity Share Capital	3,010,669.66
b.	Share Premium	-
c.	Proposed Bonus Share	-
d.	Statutory General Reserves	624,286.27
e.	Retained Earnings	348,621.91
f.	Capital Adjustment Reserve	-
g.	Other Free Reserve	-
	Less: Deferred Tax Assets	0.00
Total Core Capital (Tier I)		3,983,577.84

▪ **Supplementary Capital (Tier 2)** **(Rs. in '000)**

Particulars		Amount (Rs.)
a.	Cumulative and/or Redeemable Preference Shares	-
b.	Subordinated Term Debt	750,000.00
c.	Hybrid Capital Instruments	-
d.	General Loan Loss Provision	600,081.53
e.	Exchange Equalization Reserve	599.09
f.	Investment Adjustment Reserve	0.00
g.	Other Reserve	-
Total Supplementary Capital (Tier 2)		1,350,680.62

▪ **Total Qualifying Capital** **(Rs. in '000)**

Total Capital Fund (Tier I + Tier II)		5,334,258.47
a.	Core Capital (Tier 1 Capital) Less Deductions	3,983,577.84
b.	Supplementary Capital (Tier 2 Capital)	1,350,680.62

▪ **Capital Adequacy Ratio**

a.	Tier 1 Capital to Total Risk Weighted Exposures	8.85%
b.	Total Capital Fund to Total Risk Weighted Exposures (CAR)	11.85%

▪ **Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities:**

Assessment of capital adequacy of bank on regular basis taking into considerations the exposure of bank. Also the analysis of possible impact on capital adequacy is being done on regular basis taking into consideration the future impacts on assumptive basis. Capital adequacy of bank and impact in capital due to future change in nature and size of business is discussed in Risk Management Committee and is summarized in board. Regular monitoring of nature of business is being done so

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that unexpected negative impact could not take place in capital adequacy of bank. Reporting to regulatory body is being done as prescribed by compliance department.

- **Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments.**
Not Applicable.

2. Risk Exposures

- **Risk Weighted Exposures for Credit, Market and Operational Risk** (Rs. in '000)

Particulars		Amount (Rs.)
a.	Risk Weighted Exposure for Credit Risk	41,729,720.79
b.	Risk Weighted Exposure for Operational Risk	2,044,035.88
c.	Risk Weighted Exposure for Market Risk	14,805.01
Total Risk Weighted Exposures		43,788,561.69

- **Risk Weighted Exposures under each Categories of Credit Risk** (Rs. in '000)

Particulars		Amount (Rs.)
a.	Claims on government and central Bank	-
b.	Claims on other official entities	-
c.	Claims on Banks	1,693,467.45
d.	Claims on corporate and securities firms	8,389,670.94
e.	Claims on regulatory retail portfolio	11,400,907.65
f.	Claims secured by residential properties	3,778,755.04
g.	Claims secured by commercial real estate	81,498.61
h.	Past due claims (except for claim secured by residential properties)	1,687,072.84
i.	High risk claims	12,240,704.83
j.	Lending Against Securities (Bonds & Shares)	0.00
k.	Investment in Equity and other capital instruments of institutions	606,665.11
l.	Staff Loan secured by residential properties	372,178.82
m.	Other Assets	1,127,405.85
n.	Off Balance sheet items	351,393.65
Total Risk Weighted Exposures for Credit Risk		41,729,720.79

- **Total Risk Weighted Exposure Calculation table** (Rs. in '000)

Particulars		Amount (Rs.)
a.	Risk Weighted Exposure for Credit Risk	41,729,720.79
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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 % of gross income.	337,262.40
SRP 6.4a (9)	Overall risk management policies and precedures are not satisfactory. Add 2% of RWE	875,771.23
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)		45,001,595.32

▪ **Amount of NPA's (Both Gross and Net)** (Rs. in '000)

S. N	Particulars	Gross Amount	Loan Loss Provision	Net Amount
a.	Restructured/Reschedule Loan	-	15,496.96	(15,496.96)
b.	Substandard Loan	125,172.89	29,008.57	96,164.32
c.	Doubtful Loan	262,632.33	129,825.37	132,806.96
d.	Loss Loan	35,825.90	33,985.74	1,840.16
Total		423,631.13	208,316.65	215,314.48

▪ **NPA Ratios** (Rs. in '000)

S.N	Ratios	Gross/Net NPA	Gross/Net Advances	%
a.	Gross NPA to Gross loan and Advances	423,631.13	43,240,161.35	0.98%
b.	Net NPA to Net loan and Advances	230,811.45	42,447,260.13	0.54%

▪ **Movement of Non - Performing Assets** (Rs. In '000)

S.No.	Particulars	Current Year	Previous Year	Movement
a.	Restructured/Reschedule Loan	-	-	-
b.	Substandard Loans	125,172.89	217,739.99	(92,567.09)
c.	Doubtful Loans	262,632.33	209,054.49	53,577.84

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d.	Bad Loans	35,825.90	82,404.09	(46,578.19)
Total:		423,631.13	509,198.57	(85,567.44)

▪ **Movement in Loan Loss Provisions** (Rs. in '000)

S.N	Particulars	Current Year	Previous Year	Movement
a.	Loan Loss Provision	792,901.22	767,564.94	25,336.27

▪ **Write off of Loans and Interest Suspense during the year:** Not Written off

▪ **Interest Suspense** (Rs. in '000)

S.N	Particulars	Current Year	Previous Year	Movement
a.	Interest Suspense	283,677.04	193,484.92	90,192.13

▪ **Investment Portfolio** (Rs. in '000)

S. N	Particulars	Held to Maturity	Held for Trading	Available for sale
a.	Investment in Treasury Bill	1,776,756.62		
b.	Investment on Other Government Securities	5,035,205.00		
c.	Investment on NRB Bond and Deposit			
d.	Investment on interbank lending			
e.	Investment on Shares			
	Micro Finance Institution			87,780.42
	Insurance companies			279,962.95
	Investment on Mutual Fund			221,130.89
	Hydropower Companies			69.10
	Others			3,425.90
	Total	6,811,961.62		592,369.26

3. Risk Management Function

The bank is committed to the identification, monitoring and management of risks associated with its business activities. Management is ultimately responsible to the Board for the Bank's system of internal controls and risk management. In order to enhance efficiency and effective internal control Bank has established the Internal Audit Department. The internal audit of the Bank's branches and departments are carried out on regular basis.

▪ **Credit Risk**

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Bank has put in place a standard procedure regarding documentation procedure, loan appraisal and approval procedure, delegation of authority to different level, disbursement mechanism, monitoring of loans and advances and recovery. Bank has separate Credit Control Unit (CCU) through which the loans are being disbursed irrespective the loan sanctioning authority level. CCU has played vital role in internal check system.

▪ **Market Risk**

Market risk related to interest rate, stock price are being monitored closely by management and discussions are being held in risk management committee in frequent basis.

▪ **Operational Risk**

In order to minimize operational risk, bank has been following its operational manual strictly along with NRB Directives and circulars. In addition to strengthen internal control of the bank, internal audit of branches and departments are being conducted in quarterly basis. Further bank has put in place the practice of monthly system review system and daily MIS system for timely information of position bank and detection of errors. Bank has been using various risk mitigating tools like insurance, data back – up, training of staffs etc. Bank has framed AML/ CFT policy to comply with the provisions of NRB and Nepal Government related to AML.

▪ **Credit Risk Mitigants (CRM):**

Eligible CRM Benefits availed:

(Rs. in '000)

Particulars	Amount
Deposits with Bank	753,298.20
Gold	126,687.73
Total:	879,985.93