

## Disclosure as per Basel II

### Capital Structure and Capital Adequacy:

#### a. Core Capital and its components

Description	Amount Rs
Paid up Equity Share Capital	2,101,840,000
Statutory General Reserve	153,472,245
Retained Earning	6,851,534
Share Premium	2,971,617
Unaudited Current Year Cummulative Profit	67,056,445
Deferred tax Reserve	13,425,875
Deductions	
Miscellaneous Expenditure not written off	(32,395,467)
<b>Core Capital (Tier 1)</b>	<b>2,313,222,249</b>

#### b. Supplementary Capital and its components:

Description	Amount Rs
General Loan Loss Provision	141,258,476
Exchange Equilisation Reserve	3,120,719
Investment Adjustment Reserve	74,000
<b>Supplementary Capital (Tier 2)</b>	<b>144,453,195</b>

#### c. Subordinated Term Debt

Nil.

#### d. Deduction from Capital

Unamortized portion of Premium paid on Development Bond Rs 32,395,467 has been deducted from Capital.

#### e. Total Qualifying Capital

Description	Amount Rs
Core Capital (Tier 1)	2,313,222,249
Supplementary Capital (Tier 2)	144,453,195
<b>Total Capital Fund</b>	<b>2,457,675,444</b>

#### **f. Capital Adequacy Ratio**

<b>Description</b>	<b>Percentage</b>
Tier 1 Capital to Total Risk Weighted Exposures	12.52%
Tier 2 Capital to Total Risk Weighted Exposures	0.78%

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

The current paid up capital of the bank stands at NPR 2,101,840,000 which fulfills the capital requirement of the bank. The issued capital of the bank is at NPR 3,000,000,000, which means that the bank has the ability to increase its capital as per the requirement. The bank will analyze the requirements on the future activities and look at increasing the paid up capital, as per the requirement.

#### **h. Summary of the terms, conditions and main features of all capital instruments, specially in case of subordinated term debts including**

All the capital of the banks are unconditional. We do not have any subordinated term debts.

### **Brief About Risk Assets**

#### **a. Risk Weightage Assets**

<b>Risk Weightage Assets</b>	<b>Amount Rs</b>
Risk Weighted Exposure for Credit Risk	16,862,546,188
Risk Weighted Exposure for Operational Risk	1,012,686,729
Risk Weighted Exposure for Market Risk	101,300,394
Adjustment Under Pillar- II	
Add: 1% of Net Interest Income as Supervisory Haircut	
Add: 2% of RWE as Supervisory Haircut	359,530,666
Add: 2% of Operational Risk as Supervisory Haircut	147,161,710
<b>Total Risk Weighted Exposures (after bank's adjustments of Pillar II)</b>	<b>18,483,225,687</b>

**b. Categories of Credit Risk Assets**

<b>Risk Weighted Exposure</b>	<b>Amount Rs</b>
Claims On Government and Central Bank	-
Claims On Other Official Entities	292,448,587.86
Claims On Banks	167,501,569.19
Claims on Corporate And Securities Firms	7,980,476,563.14
Claims On Regulatory Retail Portfolio	1,780,156,197.25
Claims Secured By Resedential Properties	258,498,724.40
Claims Secured By Commercial Real Estate	2,137,889,852.84
Past Due Claims	509,584,775.76
High Risk Claims	1,464,301,385.19
Other Assets	876,677,673.72
Off Balance Sheet Items	1,395,010,859.04
<b>Total Credit Risk Assets</b>	<b>16,862,546,188</b>

**c. Computation of Capital Adequacy Ratio**

<b>Particulars</b>	<b>Amount Rs</b>
Total Risk Weightage Assets	18,483,225,687
Total Core Capital	2,313,222,249
Total Capital Fund	2,457,675,444
Core Capital to Total Risk Weighted Exposures	12.52%
Total Capital Fund to Total Risk Weighted Exposures	13.30%

**d. Non Performing Assets**

<b>Particulars</b>	<b>Amount Rs</b>	<b>Provision Rs</b>	<b>Net NPL Rs</b>
Rescheduled / Resstructured	149,106,177	104,992,856	44,113,321
Sub Standard	88,229,926	22,057,481	66,172,444
Doubtful	57,567,207	28,783,604	28,783,604
Loss	80,208,803	80,208,803	-
Total	375,112,114	236,042,745	139,069,369

**e. Ratio of Non Performing Assets**

<b>Particulars</b>	<b>Percentage</b>
Total NPL to Total Loans & Advances	2.40%
Net NPL to Net Loans & Advances	0.91%

**f. Change in Non Performing Assets**

<b>Particulars</b>	<b>Previous Quarter Rs</b>	<b>Current Quarter Rs</b>	<b>Change</b>
Rescheduled / Restructured	149,106,178	149,106,177	0%
Sub Standard	12,084,114	88,229,926	630%
Doubtful	72,127,678	57,567,207	-20%
Loss	56,227,870	80,208,803	43%
<b>Total</b>	<b>289,545,840</b>	<b>375,112,114</b>	<b>30%</b>

**g. Written Off Loans & Advances**

None.

**h. Change in Possible Loss on Loans & Advances**

<b>Particulars</b>	<b>Previous Quarter Rs</b>	<b>Current Quarter Rs</b>	<b>Additional Provision in Current Quarter Rs</b>	<b>Change</b>
Rescheduled / Restructured	45,732,385	104,992,856	59,260,471	130%
Sub Standard	3,021,028	22,057,481	19,036,453	630%
Doubtful	36,063,839	28,783,604	(7,280,235)	-20%
Loss	56,227,870	80,208,803	23,980,933	43%
<b>Total</b>	<b>141,045,122</b>	<b>236,042,745</b>	<b>94,997,623</b>	<b>67%</b>
Interest Suspense	100,418,984	135,119,813	34,700,829	35%

**i. Additional Loan Loss Provision**

<b>Particulars</b>	<b>Previous Quarter Rs</b>	<b>Current Quarter Rs</b>	<b>Change</b>
Loan Loss Provision	285,789,868	388,263,811	36%

**j. Investments.**

<b>Particulars</b>	<b>Classification</b>	<b>Amount Rs</b>
Investment in Equity Shares	Held For Trading	7,150,000
Investment in Treasury Bills	Held To Maturity	638,049,508
Investment in Government Bonds	Held To Maturity	613,725,000
Placements In banks	Held To Maturity	292,923,727
Total		1,551,848,235

**Risk Management System**

Bank recognizes the importance of Risk Management and has accordingly invested in processes, people and a management structure. Overall risk management function of the bank is supervised by Risk Management Committee and Internal Audit Committee represented by BOD members and Senior Executives. Risk Management Committee reviews the asset quality at frequent intervals and Internal Audit Committee provides assurance on the internal control systems of the bank are in place. The human capital is also managed by Human Resource Management and Compensation Committee represented by BOD members and Senior Executives. There is Assets and Liabilities Management Committee (ALCO) represented by Senior Executives of the bank to monitor the interest rate risk, liquidity risk, exchange risk, market risk, etc. Authority, responsibility and accountability has been fixed to the executives of the bank. Product policies and programs are duly approved before any new product launches and are reviewed regularly.

In FY 2068/69, Credit Risk Management Department has been set up to analyze the inherent risks in a particular product. As such the Bank has drawn a clear demarcation between the Credit Business Unit (CBU) and the Risk Management Unit (RMU). A lending process completes once it undergoes both of these units, one business generating the other risk monitoring and controlling. The bank has standard Credit Policies Guidelines that define the bank's credit policies, risk mitigating measures, and the single obligor limit.

Credit risk mitigants used by the bank are deposit of the borrower within the bank, cash margin and deposit with other banks and financial institutions applying supervisory haircut of 20% for capital adequacy. Such mitigates has minimum impact on the overall capital adequacy of the bank.