# DISCLOSURE UNDER NEW CAPITAL ADEQUACY FRAMEWORK - BASEL II

**As of 1st Quarter -Aswin end, 2066 (F/Y -2066/067)**

## 1. CAPITALSTRUCTURE AND CAPITAL ADEQUACY TABLE:

| S.N. | Tier 1 capital and a breakdown of its components | Amount in '000' |
|---|---|---|
| a. | Paid up capital | 1,250,000 |
| b. | Calls in Advances | 87,500 |
| c. | Statutory General Reserve | 16,956 |
| d. | Retained Earnings | 40,161 |
| e. | Un-audited Current Year Cumulative Profit | 30,708 |
| f. | Less: Fictitious Assets | - |
| g. | Less: investment in equity of institutions with vested interests | 15,000 |
| | **Total Core Capital (Tier I)** | **1,410,325** |

| S.N. | Tier 2 capital and a breakdown of its components | Amount in '000' |
|---|---|---|
| a. | General Loan Loss Provision | 110,561 |
| b. | Exchange Equalization Reserve | 454 |
| c. | Investment Adjustment Reserve | |
| | **Total Supplementary Capital (Tier II)** | **111,015** |
| | **Total Capital Fund (Tier I +Tier II)** | **1,521,340** |

| S.N. | Capital Adequacy Ratios | Percentage |
|---|---|---|
| a. | Tier 1 Capital to Total Risk Weighted Exposures | 10.13% |
| b. | Total Capital Fund (Tier 1 and Tier 2) to Total Risk Weighted Exposures | 10.92% |

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

Bank's current paid up capital has reached to NPR 1.25 Billion, after issuance of shares of NPR 375.00 Million to general public. As per the licensing condition of NRB, Bank is required to have paid up capital of NPR 2 Billion by Fiscal Year End 2066/2067.

The overall strategy of the bank has been formulated with the special consideration to the capital adequacy requirement according to BASEL II. The present paid up capital of Rs. 1.25 Billion including initial public offering will increase to Rs. 2 Billion after calling right issues to the existing owners of the Bank during the financial year 2066-067. However, in order for the bank to grow its business at a steady pace, expand the branch network rapidly and to maintain the capital adequacy at the required level the calls in advance of Rs. 87.5 Million has been raised from the promoters group which has been converted in to capital by adjusting in right shares. A paid up capital of Rs. 2 Billion will empower us to increase business steadily and ensure profitability during F/Y- 2066/067.

- **Summary of the 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 instruments except fully paid equity shares as qualifying capital.

**2. 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:**

- Till date we have no such type of capital instruments.

**3. Over view of Bank to support the current and future activities with the evaluation of capital adequacy:**

- The overall strategy of the bank has been formulated with the special consideration to the capital adequacy requirement according to BASEL II. The present paid up capital of Rs. 1.25 Billion including initial public offering will increase to Rs. 2 Billion after calling right issues to the existing owners of the Bank during the financial year 2066-067. However, in order for the bank to grow its business at a steady pace, expand the branch network rapidly and to maintain the capital adequacy at the required level the calls in advance of Rs. 87.5 Million has been raised from the promoters group which has been converted in to capital by adjusting in right shares. A paid up capital of Rs. 2 Billion will empower us to increase business steadily and ensure profitability during F/Y- 2066/067.

**4. Segregation of investment portfolio into Held for trading, Held to maturity and Available for sale category:**

| Investment Portfolio | Rs in '000' |
|---|---|
| Held for Trading | 24,325.00 |
| Held to Maturity | 1,901,397.73 |
| Available for Sale | -NIL- |

- Investments are made for held for trading and held to maturity.

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

- Till date we have no such type of capital instruments

## 6. Deduction from Capital:

- No amount is deductible from the capital except investment of Rs 15 Millions.

## 7. Risk Weighted Exposures:

| S.N. | Particulars | Amount in '000' |
|---|---|---|
| a. | Risk weighted exposure for Credit Risk | 13,339,098 |
| b. | Risk weighted exposure for Operational Risk | 530,883 |
| c. | Risk weighted exposure for Market Risk | 56,756 |
| | **Total Risk Weighted Exposures (a+b+c)** | **13,926,738** |

## 8. Risk weighted exposure under each of 11 categories of Credit Risks:

*Amount in '000'*

| S.N. | Particulars | Risk Weighted Exposures |
|---|---|---|
| a. | Claims on Govt. and Central Bank | - |
| b. | Claims on other Financial Entities | - |
| c. | Claims on Banks | 298,471 |
| d. | Claims on Corporate and Securities Firm | 6,245,943 |
| e. | Claims on Regulatory Retail Portfolio | 520,148 |
| f. | Claims secured by Residential Properties | 189,239 |
| g. | Claims secured by Commercial Real State | 2,708,541 |
| h. | Past due Claims | 44,635 |
| i. | High Risk Claims | 1,546,445 |
| j. | Other Assets | 761,577 |
| k. | Off balance sheet items | 1,024,099 |
| **Total Risk Weighted Exposures** | | **13,339,098** |

## 9. Details of Non Performing Assets (NPAs):

*Rs. in '000'*

| S.N. | Non Performing Assets | Gross NPAs | Net NPAs |
|---|---|---|---|
| a. | Restructured or Rescheduled Loan | - | - |
| b. | Sub standard Loan | 16,005 | 12,004 |
| c. | Doubtful Loan | 10,645 | 5,332 |
| d. | Loss loan | 9,434 | - |
| | **Total NPAs** | **36,084** | **17,336** |

## 10. Ratios of Non-performing Assets:

| S.N. | Particulars | Percentage |
|---|---|---|
| a. | Gross Non- Performing Assets/ Total Loans | 0.33% |
| b. | Net Non- Performing Loans/ Net Loans | 0.16% |

## 11. Write off Loans and Interest Suspense: -Nil-

## 12. Movement of Loan Loss Provision and Interest Suspense:

| S.N. | Particulars | Amount in '000' |
|---|---|---|
| a. | Movement of Loan Loss Provisions | 31,206 |
| b. | Movement of Interest Suspense | 2,541 |

## 13. Details of Additional Loan Loss Provisions:

No additional loan loss provisions were required as per the Bank's estimate.

## 14. Policy of Risk Weighted Exposures/ Risk Management Functions:

The bank management has decided to control and mitigates the credit risk, market risk and operational risk by adopting the following strategy:

## 14.1 Credit Risk

The Bank's Credit Policy Guidelines has adopted a Credit Risk Management philosophy that involves a continual measurement of probability of default/loss; identification of possible risks and mitigations.

## 14.2 Market Risk

The Bank has in place Assets Liability Management (ALM) Policy, and Assets Liability Management Committee (ALCO) , which monitors risks arising from changes in exchange rates in foreign currencies; liquidity profile of assets and liabilities, investment activities of the bank etc.

## 14.3 Operational Risk

The Bank has developed and implemented various manuals, operating procedures and guidelines for monitoring and controlling Operational Risks in the Bank; a number of procedure guidelines and manuals are in process of development.

Most significant steps adopted by the Bank for handling Operational Risks are as follows:

- Independent reconciliation department accustomed to conducting daily reconciliation of all agency accounts and Inter-Branch accounts.
- Transaction Stack System is in place on amount limit basis.
- Exception and MIS reports are generated by the system on a 'Live" basis, where account activity can be monitored as and when they occur.
- General Authority schedule is in place to delegate authority to staff across all levels.
- Independent Internal Audit has been appointed to carry out review of internal controls and compliance.
- Transactions in all levels are handled under dual supervision and control.
- Output in all transactions is checked by a higher authority level.
- Disaster Recovery Server is in place to ensure full restoration of Bank's data.
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# 15. Types of eligible Credit Risk Mitigation used and the benefits availed under CRM.

As per the provisions of the Capital Adequacy Framework – Basel II, the bank has claimed all the eligible credit risk mitigants for balance sheet and off balance sheet exposures and availed benefit thereof.