

1. Capital structure & Capital Adequacy ratios

(Rs. in '000)

CAPITAL		Current Month
<b>(A) Core Capital (Tier I)</b>		<b>1,088,932.41</b>
Paid up Equity Share Capital		797,376.94
Irredeemable Non-cumulative preference shares		
Share Premium		
Proposed Bonus Equity Shares		
Statutory General Reserves		190,191.19
Retained Earnings		101,364.28
Un-audited current year cumulative profit/(loss)		
Capital Redemption Reserve		
Capital Adjustment Reserve		
Dividend Equalization Reserves		
Other Free Reserve		
Less: Goodwill		
Less: Deferred Tax Assets		
Less: Fictitious Assets		
Less: Investment in equity in licensed Financial Institutions		
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		
Less: Other Deductions		
<b>(B) Supplementary Capital (Tier 2)</b>		<b>-</b>
Cumulative and/or Redeemable Preference Share		-
Subordinated Term Debt		
Hybrid Capital Instruments		
General loan loss provision		55,948.11
Exchange Equalization Reserve		
Investment Adjustment Reserve		
Asset Revaluation Reserve		
Other Reserves		
<b>Total Capital Fund (Tier I and Tier II)</b>		<b>1,144,880.52</b>
<b>CAPITAL ADEQUACY RATIOS</b>		<b>Current Month</b>
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		19.58%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)		20.59%

Amount in 000

- 2 **Information about subordinate debt**  
The bank doesnot have subordinate debt.

3 **Deduction from capital**

Particulars	Amount
Deffered Tax Asset	-

4 **Total Qualifying capital**

Total core capital (Tier I)	1,088,932.41
Total Supplementary Capital(Tier II)	-
<b>Total Capital Fund(Tier I + Tier II)</b>	<b>1088932.4</b>

5 **CAPITAL ADEQUACY RATIO**

Particulars	Percentage
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	19.58%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	20.59%

6 **Summary of the bank's 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 at Chaitra 2077 is 19.58% and the total capital ratio is 20.59%. The bank in its strategic planning cautiously considers the capital adequacy and projects capital adequacy required for the organization's growth

**7. RISK EXPOSURE**

(Rs. in '000)

1. Risk Weighted Exposure for Credit Risk, Market Risk and Operational Risk	
1.1 RISK WEIGHTED EXPOSURES	Current Month
Risk Weighted Exposure for Credit Risk	4,651,011.32
Risk Weighted Exposure for Operational Risk	454,566.47
Risk Weighted Exposure for Market Risk	-
Total Risk Weighted Exposures (Before adjustments of Pillar II)	5,105,577.78
<b>Adjustments under Pillar II</b>	
ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	2,620.46
Add ...% of the total deposit due to insufficient Liquid Assets	155,800.37
Add RWE equivalent to reciprocal of capital charge of 5% of gross income	93,454.20
Overall risk management policies and procedures are not satisfactory, Add 4% of RWE	153,167.33
Desired level of disclosure requirement has not been achieved, Add 3% of RWE	51,055.78
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	5,561,675.92

**Risk weightage Exposure under 11 categories of Credit Risk**

Particulars	000	
	Amount	
Claims on Government and Central Bank	-	
Claims on other official entities	-	
Claims on Banks	239,258.60	
Claims on Corporate and Securities Entities	242,455.26	
Claims on Regulatory Retail Portfolio	2,128,033.78	
Claims secured by residential properties	468,256.44	
Claims secured by Commercial real estate	43,788.71	
Past due claims	644,423.61	
High Risk claims	397,257.99	
Other Assets	460,782.08	
Off Balance Sheet Items	26,754.85	
<b>TOTAL</b>	<b>4,651,011.32</b>	

**Total Risk weighted Exposure Computation Table**

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	96,515.77	-	-	96,515.77	0%	-
Balance With Nepal Rastra Bank	169,928.39	-	-	169,928.39	0%	-
Gold	-	-	-	-	0%	-
Investment in Nepalese Government Securities	-	-	-	-	0%	-
All Claims on Government of Nepal	1,500.00	-	-	1,500.00	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, ECFR, EC and MDRs recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-
Claims on Domestic Public Sector Entities	-	-	-	-	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)	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	1,196,292.99	-	-	1,196,292.99	20%	239,258.60
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	-	-	-	-	20%	-
Claims on foreign bank (ECA Rating 2)	-	-	-	-	50%	-
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	-	-	-	-	20%	-
Claims on Domestic Corporates - (Credit rating score equivalent to AAA)	-	-	-	-	80%	-
Claims on Domestic Corporates - (Credit rating score equivalent to AA+ to AA-)	-	-	-	-	85%	-
Claims on Domestic Corporates - (Credit rating score equivalent to A+ to A-)	-	-	-	-	90%	-
Claims on Domestic Corporates - (Credit rating score equivalent to BBB+ & above)	-	-	-	-	100%	-
Claims on Domestic Corporates (Unrated)	242,455.26	-	-	242,455.26	100%	242,455.26
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)	2,837,378.37	-	-	2,837,378.37	75%	2,128,033.78
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	617,087.10	-	-	617,087.10	60%	370,252.26
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	98,004.18	-	-	98,004.18	100%	98,004.18
Claims secured by Commercial real estate	43,788.71	-	-	43,788.71	100%	43,788.71
Past due claims (except for claims secured by residential properties)	429,615.74	-	-	429,615.74	150%	644,423.61
High Risk claims	264,838.66	-	-	264,838.66	150%	397,257.99
Lending Against Securities (Bonds & Shares)	-	-	-	-	100%	-
Investments in equity and other capital instruments of institutions listed in stock	-	-	-	-	100%	-
Investments in equity and other capital instruments of institutions not listed in	-	-	-	-	150%	-
Staff loan secured by residential property	-	-	-	-	50%	-
Interest Receivable/Claim on government securities	-	-	-	-	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets (as per attachment)	467,540.46	6,758.38	-	460,782.08	100%	460,782.08
<b>TOTAL (A)</b>	<b>6,464,945.64</b>	<b>6,758.38</b>	-	<b>6,458,187.25</b>		<b>4,624,256.47</b>

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Revolvable Commitments	-	-	-	-	0%	-
Bills Under Collection	-	-	-	-	0%	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	-	-	-	-	20%	-
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%	-
LC Commitments With Original Maturity Over 6 months domestic counterparty	-	-	-	-	50%	-
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	27,902.60	-	-	27,902.60	50%	13,951.30
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	-	-	-	-	100%	-
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsements	-	-	-	-	100%	-
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (short term)	64,017.73	-	-	64,017.73	20%	12,803.55
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer	-	-	-	-	20%	-
Other Contingent Liabilities	-	-	-	-	100%	-
Unpaid Guarantee Claims	-	-	-	-	200%	-

TOTAL (B)	91,920.33	-	-	91,920.33	26,754.85
Total RWE for credit Risk Before Adjustment (A) +(B)	6,556,865.96	6,758.38	-	6,550,107.58	4,651,011.32
<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	6,556,865.96	6,758.38	-	6,550,107.58	4,651,011.32

Amount in 000

**8 Amount of Non-Performing Assets (Gross and Net Amount)**

Particulars	Gross Amount	Provision	Net Amount
Substandard	11924	2981	8943
Restructured	2090	261	1829
Doubtful	1618	809	809
Loss	118	118	0
<b>Total</b>	<b>15750</b>	<b>4169</b>	<b>11581</b>

**9. Non performing Asset ratio**

Particular	Percentages
Gross NPA to Gross Advances	0.39%
Net NPA to Net Advances	0.29%

**10. Movement of Nonperforming Asset**

Particulars	Balance	Balances	Movement
	Poush 2077	Chaitra 2077	
Substandard	18343	11924	(6419)
Restructured	2115	2090	(25)
Doubtful	1463	1618	155
Loss	118	118	0
<b>Total</b>	<b>22039</b>	<b>15750</b>	<b>(6288)</b>

**11 Written off loan and Interest Suspense**

During the 3rd quarter of 77-78 bank hasnot written off any loan and advances.

**12. Movement in Loan loss provision**

Particular	Balance	Balances	Movement
	Poush 77	Chaitra 77	
Pass	43746	49074	5,327
Watchlist	8799	6874	(1,924)
Substandard	4586	2981	(1,605)
Restructured	264	261	(3)
Doubtful	732	809	78
Loss	118	118	-
<b>Total</b>	<b>58245</b>	<b>60118</b>	<b>1873</b>

**13 Movement in Interest Suspense**

Particular	Balance	Balance	Movement
	Poush 77	Chaitra 77	
Interest Suspense	39638.61482	39125.57176	(513)

**14. Details of Additional Loan Loss Provision(Difference of provision between this quarter and immediate previous quarter)**

Particulars	Amount
Pass	5,327
Watchlist	(1,924)
Substandard	(1,605)
Restructured	(3)
Doubtful	78
Loss	-

**15. Seggregation of Bank investment portfolio**

Particulars	Amount
Investment securities measured at amortized cost	200000
Investment in equity measured at FVTOCI	120988
Investment in unquoted associates	-
Other Trading Assets	-

## **16. Risk Management Function**

Risk-taking is an inherent element of the banking business whereby profits are in part, the reward for successful and acceptable risk-taking. While, on the other hand, undue and poorly managed risk are susceptible to loss of profit and thus jeopardize the safety of the depositors. To ensure effective risk management, the bank has appropriate risk governance structure and risk management process, policies considering the size and nature of business.

### **Credit Risk**

Credit risk management strategies include effectively managing the risk of financial losses arising out of booking an exposure on counterparty and also ensuring independence of the credit risk function from the origination, trading and sales function. Credit risk is managed through a defined framework which sets out policies, procedures and standards covering the measurement and management of credit risk. Clear segregation of duties has been established between transaction originator in the business and the approvers in the risk function.

### **Operational Risk**

Operational risk can be caused by both internal and external sources, such as fraud, business interruptions, system failures, damage to physical infrastructure, failure in execution and service delivery, inherent risks in products. The risk can occur in any business function or the business supporting functions. The effect of failure in any of the resources can have concurrent impacts across the Bank. Effective operational risk management system aims to minimizing losses and customer dissatisfaction due to failure in process, focusing on flows in product and their design that can expose the bank to losses due to fraud analyzing the impact continuity in the Bank's operations.

The bank has formed various policies for mitigating the operation risk like Employee Bylaws, AML/CFT policy. Risk Weighted Exposure for Operation Risk has been calculated as per NRB Capital Adequacy Framework

### **Market Risk**

Market risk refers to the risk arising from movements in market prices, in particular, changes in interest rates, foreign exchange rates, and equity and commodity prices. The Finance Department of the bank continuously monitors Equity price risk and interest rate risk and communicates the same to senior management and RMC as deemed necessary. However, the bank does not deal with forex.

### **Liquidity Risk**

Liquidity risk is the *risk* that a company or bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due, as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for liquid asset positions is not available to the Bank on acceptable terms.

To mitigate the liquidity risk, the bank daily monitors the liquidity position. Periodic review of gap over the assets and liabilities management is performed.

### **Reputational Risk**

The management committee is 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 has appointed the information officer