

**DISCLOSURE AS PER BASEL III**  
As of Ashwin End 2076 (17<sup>th</sup> October, 2019)

**1. Capital Structure and Capital Adequacy**

**I. Tier I capital and its breakdown:**

Particulars	NPR in 'Million'
Paid Up Capital	12,000
Proposed Stock Dividend	-
Share Premium	-
Statutory General Reserves	158
Capital Redemption Reserve	-
Retained Earnings	623
Unaudited current year profit/ (loss)	187
<b>Less:</b>	-
Intangible Assets	14
Miscellaneous expenditure not written off	-
Land & building in excess of limit and unutilized	-
Investment in equity of institutions with financial interests	-
<b>Core Capital</b>	<b>12,954</b>

**II. Tier II capital and its breakdown:**

Particula	NPR in 'Million'
General Loan Loss Provision	-
Exchange Equalization Reserves	-
Subordinated Term Debt	-
Investment Adjustment Reserve	-
Other Reserve	-
<b>Supplementary Capital</b>	<b>-</b>

**III. Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, and amount raised during the year and amount eligible to be reckoned as capital funds:**

- The Bank has not issued Subordinated Term Debts till date.

#### **IV. Deductions from Capital:**

- NPR 14 Million Intangible assets

#### **V. Total qualifying Capital:**

<b>Particulars</b>	<b>NPR in 'Million'</b>
Core Capital	12,954
Supplementary Capital	-
<b>Total Qualifying Capital (Total Capital Fund)</b>	<b>12,954</b>

#### **VI. Capital Adequacy Ratio**

- 346.28%

#### **VII. Summary of Bank's internal approach to assess the adequacy of capital to support current and future activities, if applicable:**

The Bank has formulated and implemented the "Internal Capital Adequacy Assessment Process 2018" (ICAAP 2018) which has been approved by the Board of Directors. The ICAAP 2018 is a system of sound, effective, and complete strategies and processes that allow the Bank to assess and maintain, ongoing basis, the amounts, types and distribution of internal capital that the Bank considers adequate to cover the nature and level of risk to which the Bank is or might be exposed to.

Internal Capital Adequacy Assessment Process (ICAAP) shall also include requirement to have robust governance arrangements, efficient process of managing all material risks and an effective regime for assessing and maintaining adequate economic capital at the Bank where economic capital (economically needed capital) refers to the amount of capital required for the Bank's business operations and for financing the associated risks.

ICAAP 2018 shall provide policy and procedural guidelines for the calculation of internal capital adequacy by prescribing appropriate methodologies, techniques and procedures to assess the capital adequacy requirements in relation to the Bank's risk profile and effectiveness of its risk management, control environment and strategic planning.

The Board shall be primarily responsible for ensuring the current and future capital needs of the bank in relation to strategic objectives. The management shall review and understand the nature and level of various risks that the bank is confronting during different business activities and how this risk relates to capital levels and accordingly implement sound risk management framework specifying control measures to tackle each risk factor.

The long term plans and strategies of the bank is generally guided by Annual Budgets/ Operating/ Tactical plans. To ensure that the Bank's capital adequacy commensurate to demand of the capital required by the

business targets, the Management and the Board prudently and proactively engage on ongoing process of capital and risk assessment, stress testing and scenarios testing, monitoring and reporting as per the ICAAP 2018.

The Bank also formulates and implements “Stress Testing” mechanism in order to assess the vulnerability of the Bank under various stress situations typically, application of “what-if” scenarios, especially in the problematic identification of low frequency but high severity events and identifying expected and unexpected losses. It focuses on capturing the impact of large, but still plausible events and understanding the overall risk profile in a coherent and consistent framework, including impact analysis on earnings, solvency and liquidity.

Stress testing of the Bank also includes macroeconomic environment of the country and its impact in the Bank’s business as well as entire key risk areas and functions of the Bank as far as data availability and resources permit those having ultimate impact on the capital adequacy of the Bank.

A formal monitoring and reporting mechanism have been established to provide the senior management necessary information on the risk profile, trends, and the capital requirements as per ICAAP 2018. Such reports are being prepared on a monthly and quarterly basis and circulated to relevant business units/departments, Integrated Risk Department (IRMD), and tabled in Assets Liability Committee (ALCO) meeting. Further quarterly reports are presented to the Risk Management Committee and the Board for review and discussions.

## 2. Risk Exposure

### A. Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

NPR in ‘Million’

Risk weighted Exposures	Current Quarter	Previous Quarter
a. Risk Weighted Exposure for Credit Risk	2,846	2,782
b. Risk Weighted Exposure for Operational Risk	895	245
c. Risk Weighted Exposure for Market Risk	-	-
<b>d. Adjustment Under Pillar II</b>		
Add RWE equivalent to reciprocal of capital charge of ...% of gross income.	-	-
Overall risk management policies and procedures are not satisfactory, add ...% of RWE	-	-
<b>Total Risk Weighted Exposures (a + b + c +d)</b>	<b>3,741</b>	<b>3,027</b>

### B. Risk Weighted Exposures under each of 9 Categories of Credit

NPR in ‘Million’

Particulars	Current Quarter	Previous Quarter
Claims on Government and Central Bank	133	130
Claims on Other Official Entities	-	-
Claims on Banks	13,052	12,800
Claims on Corporate and securities firms	0	-

Claims secured by Commercial real estate	-	-
Past due Claims	-	-
High Risk Claims	-	-
Other Assets	265	226
Off Balance- Sheet Items	-	-
<b>Total</b>	<b>13,450</b>	<b>13,156</b>

**C. Total Risk Weight Exposure Table**  
**i. On Balance Sheet Exposure**

NPR in 'Million'

A. Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposure
	a	b	c	d=a-b-c	e	f=d*e
Cash Balance	0	-	-	0	0%	0
Balance with Nepal Rastra Bank	8	-	-	8	0%	0
Gold	-	-	-	-	0%	-
Investment in Nepalese Government Securities	123	-	-	123	0%	-
All Claims on Government of Nepal	-	-	-	-	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, ECB, EC and MDB's recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	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	13,052	-	-	13,052	20%	2,610
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 of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-
Claims on Domestic Corporates	-	-	-	-	100%	-
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%	-
Claims secured by Commercial real estate	-	-	-	-	100%	-
Past due claims (except for claims secured by residential properties)	-	-	-	-	150%	-
High Risk claims	-	-	-	-	150%	-
Investments in equity and other capital instruments of institutions listed in stock exchange	-	-	-	-	100%	-
Investments in equity and other capital instruments of institutions not listed in the stock exchange	-	-	-	-	150%	-
Staff loan secured by residential property	53	-	-	53	60%	32
Interest Receivable/claim on government securities	3	-	-	3	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets (as per attachment)	212	8	-	204	100%	204
<b>TOTAL (A)</b>	<b>13,450</b>	<b>8</b>	<b>-</b>	<b>13,442</b>		<b>2,846</b>

ii. Off Balance Sheet Exposures:

NPR in 'Million'

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	-	-	-	-	0%	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-
LC Commitments with Original Maturity Up to 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	-	-	-	-	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%	-
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)	-	-	-	-	20%	-
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-

Other Contingent Liabilities	-	-	-	-	100%	-
Unpaid Guarantee Claims	-	-	-	-	200%	-
<b>TOTAL (B)</b>	-	-	-	-	-	-
<b>Total RWE for credit Risk Before Adjustment (A) +(B)</b>	<b>13,450</b>	<b>8</b>	<b>-</b>	<b>13,442</b>		<b>2,846</b>

#### Non-Performing Assets

Particulars	NPR in 'Million'			
	Current Quarter		Previous Quarter	
	Gross NPAs	Net NPAs	Gross NPAs	Net NPAs
Doubtful Loans	-	-	-	-
Loss	-	-	-	-
<b>Total NPAs</b>	-	-	-	-

#### Ratio of Non-Performing Asset

Particulars	Current Quarter	Previous Quarter
Gross NPA to gross advances (%)	-	-
Net NPA to net advances (%)	-	-

#### Movement of Non-Performing Assets

NPR in '000'

Particulars	Current Quarter	Previous Quarter
Opening NPA	-	-
Net Increase/(decrease) during the year	-	-
Closing NPA	-	-

#### Write off Loan and Interest Suspend:

NPR in '000'

Particulars	Current Quarter	Previous Quarter
Write off Loan	-	-
Write off Interest	-	-

#### Movement in LLP and Interest Suspend:

NPR in '000'

Particula	Current Quarter	Previous Quarter
Movement in Loan Loss Provisions	-	-
Movement in Interest Suspend	25	67
Additional LLP during the year	-	-

**Segregation of Investment:**

<b>Particulars</b>	<b>NPR in 'Million'</b>	
	<b>Current Quarter</b>	<b>Previous Quarter</b>
Held for Trading	-	-
Held till Maturity	12,850	12,561
Available for Sale	-	-

**3. Risk Management Function**

The Bank is vigilant to the risk factors and has adequate systems/ procedures to assess the risks associated with day to day business. The Bank takes risk considering the risk appetite of the Bank and after assessment of strengths and weaknesses in the internal and external environment. Periodic reviews are done in order to explore every possibility to gain insight on various risk factors and in order to find the best ways to mitigate the risk associated.

In order to assess and manage the risk of the Bank, the organizational structure of the bank consists of Integrated Risk Management Department consisting of Risk, Compliance, CAD & Reconciliation Units.