

1 Capital structure and Capital Adequacy:

Core capital and its components

	Description	Amount
a	Paid up equity Share capital	700,000,000.00
b	Statutory general reserve	10,968,249.10
c	Retained earning	28,237,924.02
d	Un-Audited Current year Cumulative profit	35,586,543.68
	<b>Core Capital ( tier 1)</b>	<b>774,792,716.80</b>

Supplementary capital and its components:

	Description	Amount
a	General loan loss provision	64,986,274.02
b	Exchange Equilisation reserve	215,034.63
	<b>Supplementary Capital( Tier 2)</b>	<b>65,201,308.65</b>

Detailed information about the term debts with information on the outstanding amount, maturity, amount raised during the year and amount eligible to be reckoned as capital fund.

NIL

Deduction from Capital:

NIL

Total Qualifying capital

	Description	Amount
a	Core capital( Tier 1)	774,792,716.80
b	Supplementary Capital(Tier2)	65,201,308.65
	<b>Total Capital Fund( Tier1 &amp; 2)</b>	<b>839,994,025.45</b>

Capital Adequacy ratio

11.47%

Risk weighted exposure for credit risk, market risk and operational risk

	RISK WEIGHTED EXPOSURE	Amount
a	Risk weighted Exposure for credit risk	6,993,772,772.29
b	Risk weighted Exposure for Operational Risk	290,412,489.60
c	Risk weighted Exposure for Market Risk	4,116,738.61
d	<b>Total Risk weighted exposure(a+b+c)*</b>	<b>7,325,957,289.19</b>

\*include risk weight exposure amount NPR 37,655,288.69(0.5% of total deposit) for shortfall of liquid assets.

11 categories of credit risk weighted exposure

	Risk Weighted Exposure	Amount
a	Claims On Government and	
b	Claims On Other Official Entities	9,624,056.34
c	Claims On Banks	326,290,707.90
d	Claims on Corporate And Securities Firms	2,889,893,159.16
e	Claims On Regulatory Retail Portfolio	568,169,174.03
f	Claims Secured By Resedential Properties	220,575,096.88
g	Claims Secured By Commercial Real Estate	1,598,884,224.99
h	Past Due Claims	-
i	High Risk Claims	810,443,177.67
j	Other Assets	214,399,833.08
k	Off Balance Sheet Items	355,493,342.23
	<b>Total Risk Weighted Assets</b>	<b>6,993,772,772.29</b>

Total Risk Weighted Exposure Calculation Table

a	Risk weighted Exposure for credit risk	6,993,772,772.29
b	Risk weighted Exposure for Operational Risk	290,412,489.60
c	Risk weighted Exposure for Market Risk	4,116,738.61
d	Capital charge for shortfall of liquid assets	37,655,288.69
e	Total Risk weighted exposure	7,325,957,289.19
f	Total capital fund( tier I& tier II)	839,994,025.45
	Capital Adequacy Ratios(f ÷ e)	11.47%

**Amount of non performing Assets( Both Gross and Net)**

**Restructured/Rescheduled loan**

**NIL**

**Substandard Loan**

**NIL**

**Doubtful Loan**

**NIL**

**Loss Loan**

**NPR 860,717.18**

**Ratio of Non Performing Assets**

**Gross NPA to Gross Advances**

**0.01%**

**Net NPA to Net Advances**

**0.01%**

**Movement of Non performing Assets**

Non performing assets upto previous quarter was NPR 196,162.10 which has been increased to NPR 860,717.18 in this quarter.

**Write off of Loans and Interest Suspense**

**NIL**

**Movement in Loan Loss Provisions and interest Suspense**

loan loss provision and interest suspense upto Ashwin end 2065 was NPR6,44,70,464.48 and NPR 9,427,666.90 respectively which has been increased to NPR 65,846,991.2 and NPR 8,519,788.62 respectively.

**Detail of Additional Loan loss Provisions**

Additional loan loss provision of NPR 860,717.18 made for loss loan

**Segregation of investment portfolio into held for trading, held to maturity and available for sale category**

All investment portfolios are held to maturity category

**Summary of the banks internal approach to assess the adequacy of its capital to support current and future activities**

Existing paid up capital of the bank is NPR 700,000,000. bank will increase paid up capital to NPR 1,000,000,000 through initial public offering of share of NPR 300,000,000 by the end of third quarter of this Fiscal Year 2065/66. similarly as per directive of Nepal Rastra Bank, bank has plan to increase its paid up capital of NPR 2 billion by the end of Fiscal Year 2066/67

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

All the capital of the bank is unconditional. We do not have any subordinate terms debt.

**FORM NO.1 CAPITAL ADEQUACY TABLE**

<b>1.1 RISK WEIGHTED EXPOSURES</b>		
a	Risk Weighted Exposure for Credit Risk	6,993,772,772.29
b	Risk Weighted Exposure for Operational Risk	290,412,489.60
c	Risk Weighted Exposure for Market Risk	4,116,738.61
Total Risk Weighted Exposures (a+b+c)*		7,325,957,289.19
<b>1.2 CAPITAL</b>		
<b>Core Capital (Tier 1)</b>		774,792,716.80
a	Paid up Equity Share Capital	700,000,000.00
b.	Irredeemable Non-cumulative preference shares	-
c.	Share Premium	-
d.	Proposed Bonus Equity Shares	
e.	Statutory General Reserves	10,968,249.10
f.	Retained Earnings	28,237,924.02
g.	Un-audited current year cumulative profit	35,586,543.68
h.	Capital Redemption Reserve	
i.	Capital Adjustment Reserve	
j	Dividend Equalization Reserves	
k	Other Free Reserve	
l	Less: Goodwill	
m.	Less: Miscellaneous Expenditure not written off	
n.	Less: Investment in equity in licensed Financial Institutions	
o.	Less: Investment in equity in institutions with financial interests	
p.	Less: Investment in equity of institutions in excess of limits	
q.	Less Investments arising out of underwriting commitments	
r.	Less: Reciprocal crossholdings	
s.	Less: Other deductions	
<b>Supplementary Capital (Tier 2)</b>		65,201,308.65
a	Cumulative and/or Redeemable Preference Share	
b	Subordinated Term Debt	
c	Hybrid Capital Instruments	
d	General Loan Loss Provision	64,986,274.02
e	Exchange Equalization Reserve	215,034.63
f.	Investment Adjustment Reserve	
g.	Assets Revaluation Reserve	
h	Other Reserves	
Total Capital Fund (Tier I & II)		839,994,025.45
<b>1.3 CAPITAL ADEQUACY RATIOS</b>		<b>Current Period</b>
Tier 1 Capital to Total Risk Weighted Exposures		10.58%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures		11.47%

**Note\*** Adjustment for Shortfall Liquidity (0.5% of total deposit) is included in total RWA amount to RS. 37,655,288.69

**FORM NO: 2 RISK WEIGHTED EXPOSURE FOR CREDIT RISK**

Date 13th Jan 2009

<b>A. Balance Sheet Exposures</b>	<b>Book Value</b>	<b>Specific Provision</b>	<b>Eligible CRM</b>	<b>Net Value</b>	<b>Weight</b>	<b>Risk Weighted Exposures</b>
	a	b	c	d=a-b-c	e	f=d*e
Cash Balance	239,673,295.96			239,673,295.96	0%	-
Balance with Nepal Rastra Bank	430,877,858.72			430,877,858.72	0%	-
Gold						
Investment in Nepalese Government Securities	280,600,470.00			280,600,470.00	0%	-
All Claims on Government of Nepal	6,098,033.50			6,098,033.50	0%	-
Investment in Nepal Rastra Bank				-	0%	-
All Claims on Nepal Rastra Bank				-	0%	-
Investment in Foreign Government Securites (ECA Rating 0-1)				-	0%	-
Investment in Foreign Government Securites (ECA Rating-2)			-	-	20%	-
Investment in Foreign Government Securites (ECA Rating -3)			-	-	50%	-
Investment in Foreign Government Securites (ECA Rating 4-6)			-	-	100%	-
Investment in Foreign Government Securites (ECA Rating 7)			-	-	150%	-
(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)	6,416,037.56		-	6,416,037.56	150%	9,624,056.34
Claims on domestic banks that meet capital adequacy requirements	1,129,836,974.68		-	1,129,836,974.68	20%	225,967,394.94
requirements			-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	491,861,475.68		-	491,861,475.68	20%	98,372,295.14
Claims on foreign bank (ECA Rating 2)			-	-	50%	-
Claims on foreign bank (ECA Rating 3-6)	1,951,017.83		-	1,951,017.83	100%	1,951,017.83
Claims on foreign bank (ECA Rating 7)			-	-	150%	-
buffer of 1% above their respective regulatory capital requirement					20%	
Claims on Domestic Corporates	3,097,122,996.70		<b>207229837.5</b>	2,889,893,159.16	100%	2,889,893,159.16
Claims on Foreign Corporates (ECA Rating 0-1)			-	-	20%	-
Claims on Foreign Corporates (ECA Rating 2)			-	-	50%	-
Claims on Foreign Corporates (ECA Rating 3-6)			-	-	100%	-
Claims on Foreign Corporates (ECA Rating 7)			-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	757,558,898.71		-	757,558,898.71	75%	568,169,174.03
Claims fulfilling all criterion of regulatory retail except granularity					100%	
Claims secured by residential properties	367,625,161.47			367,625,161.47	60%	220,575,096.88
Claims not fully secured by residential properties					150%	
Claims secured by residential properties (Overdue)			-	-	100%	-
Claims secured by commercial real estate	1,598,884,224.99		-	1,598,884,224.99	100%	1,598,884,224.99

Past due claims (except for claim secured by residential properties)	860,717.18	860717.18	-	-	150%	-
high Risk Claims (Venture Capital, private equity investments, personal loans and credit card receivables)	672,009,825.09		131714373.3	540,295,451.78	150%	810,443,177.67
investments in equity and other capital instruments of institutions listed in the stock exchange					100%	
investments in equity and other capital instruments of institutions not listed in the stock exchange			-	-	150%	-
Other Loans and Advances			-	-	150%	-
Cash and cash items in transit			-	-	20%	-
Fictitious Assests	-		-	-	150%	-
Other Assets (as per attachment)	214,399,833.08		-	214,399,833.08	100%	214,399,833.08
TOTAL	9,295,776,821.15	0	338,944,210.84	8,956,832,610.30		6,638,279,430.06

<b>B. Off Balance Sheet Exposures</b>	<b>Gross Book Value</b>	<b>Specific Provision</b>	<b>Eligible CRM</b>	<b>Net Value</b>	<b>Risk Weight</b>	<b>Risk Weighted Exposures</b>
	<b>a</b>	<b>b</b>	<b>c</b>	<b>d=a-b-c</b>	<b>e</b>	<b>f=d*e</b>
Revocable Commitments				-	0%	-
Bills Under Collection	3,631,926.07			3,631,926.07	0%	-
Forward Exchange Contract Liabilities					10%	
LC Commitments With Original Maturity Up to 6 months (domestic counterparty)	195,399,988.09		11,609,856.16	183,790,131.93	20%	36,758,026.39
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)	132,980,279.90		-	132,980,279.90	50%	66,490,139.95
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)	118,071,181.58		7,246,354.73	110,824,826.85	50%	55,412,413.43
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 (including repo/reverse repo)			-	-	100%	-
Advance Payment Guarantee	52,537,000.00		-	52,537,000.00	100%	52,537,000.00

Financial Guarantee			-	-	100%	-
Acceptances and Endorsements	5,881,303.79		-	5,881,303.79	100%	5,881,303.79
Unpaid portion of Partly paid shares and securities			-	-	100%	-
Irrevocable Credit commitments (Short term)	692,072,293.40		-	692,072,293.40	20%	138,414,458.68
Irrevocable Credit commitments (Long term)					50%	
Other Contingent Liabilities			-	-	100%	-
TOTAL	1,200,573,972.83	0	18,856,210.89	1,181,717,761.94		355,493,342.23
Total RWE for Credit Risk (A) + (B)	10,496,350,793.98	0	357,800,421.73	10,138,550,372.25		6,993,772,772.29

**FORM NO.4 OTHER ASSETS**

S.N	Assets	Gross Amount	Specific Provision	Net Balance
1	Cash and Cash Item in Transit	42,175,281.03	33,740,224.82	8,435,056.21
2	Miscellaneous Expenditure not written off	2,979,986.02		2,979,986.02
3	Fixed Assets	160,569,712.42	30,169,513.95	130,400,198.47
4	Interest Receivable on Other Investment	22,001,895.85		22,001,895.85
5	Interest Receivable on Loan	8,519,788.62	8,519,788.62	-
6	Non Banking Assets	-		-
7	Reconciliation Account	-		-
8	Draft Paid Without Notice	-		-
9	sundry Debtors	3,782,596.18		3,782,596.18
10	Advance Payment and Deposits	3,147,107.21		3,147,107.21
11	Staff Advance	15,930,206.58		15,930,206.58
12	Stationery	6,413,920.40		6,413,920.40
13	Other	21,308,866.16		21,308,866.16
	A/C Receivables	1,282,208.13		
	ATM Cards	1,698,563.95		
	Security Deposit	426,200.00		
	Adv. Income tax	16,645,408.36		
	SCT Receivables	1,256,485.72		
	<b>TOTAL</b>	<b>286,829,360.47</b>	<b>38,689,302.57</b>	<b>214,399,833.08</b>

**FORM NO. 5 RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK**

Particulars	Year 1	Year 2	Year 3
Net Interest Income	144,814,408.77		
Commission and Discount Income	9,028,451.80		
Other Operating Income	24,536,362.04		
Exchange Fluctuation Income	8,899,953.12		
Additional Interest Suspense during the period	6,329,150.67		
<b>Gross Income (a)</b>	<b>193,608,326.40</b>	-	
<b>Alfa(b)</b>	<b>0.15</b>	<b>15%</b>	<b>15%</b>
<b>Fixed Percentage of Gross Income {c=(axb)}</b>	<b>29,041,248.96</b>	-	
<b>Capital Requirement for operational risk (d) (average of c)</b>	<b>29,041,248.96</b>		
<b>Risk Weight (reciprocal of capital requirements of 10% ) in times (e)</b>	<b>10.00</b>		
<b>Equivalent Risk Weight Exposure {f=(dxe)}</b>	<b>290,412,489.60</b>		

**FORM NO. 6 RISK WEIGHTED EXPOSURE FOR MARKET RISK**

<b>S.N</b>	<b>Currency</b>	<b>Open Position (Fcy)</b>	<b>Open Position (NPR)</b>	<b>Relevant Open Position</b>
1	INR	790,265.90	1,265,018.15	1,265,018.15
2	USD	44,106.94	3,464,600.35	3,464,600.35
3	AUD	770.00	40,555.90	40,555.90
4	GBP	1,710.52	196,666.88	196,666.88
5	CAD	-	-	-
6	CHF	260.00	18,278.00	18,278.00
7	SGD	959.00	50,548.89	50,548.89
8	JPY	422,000.00	368,928.00	368,928.00
9	HKD	-	-	-
10	DKK	-	-	-
11	SAR	412.00	8,310.04	8,310.04
12	QAR	-	-	-
13	EURO	26,943.41	2,820,571.01	2,820,571.01
<b>Total Open Position (a)</b>				<b>8,233,477.22</b>
<b>Fixed Percentage (b)</b>				<b>5%</b>
<b>Capital Charge for Market Risk {c=(axb)}</b>				<b>411,673.86</b>
<b>Risk Weight (reciprocal of capital requirement of 10%) in times (d)</b>				<b>10.00</b>
<b>Equivalent Risk Weight Exposure {e=(cxd)}</b>				<b>4,116,738.61</b>