

DISCLOSURE AS PER BASSEL II

1. Capital structure and Capital Adequacy:

Core capital and its components

	Description	Amount
a	Paid up Equity Share Capital	2,101,840,000
b	Statutory General Reserve	153,472,245
c	Retained Earning	183,848,587
d	Share Premium	2,971,617
e	Un-Audited Current year Cumulative profit	-
f	Other Free Reserves	13,425,875
	Deductions	
	Miscellaneous Expenditure not written off	(32,370,467)
	Core Capital (tier 1)	2,423,187,857

Supplementary capital and its components:

	Description	Amount
a	General Loan Loss Provision	144,744,746
b	Exchange Equilisation Reserve	3,120,719
c	Investment Adjustment Reserve	74,000
	Supplementary Capital(Tier 2)	147,939,465

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)	2,423,187,857
b	Supplementary Capital(Tier2)	147,939,465
	Total Capital Fund(Tier1 & 2)	2,571,127,322

Capital Adequacy ratio

15.54%

Summary of the Bank's internal approach to assess the adequacy of its capital to support current and future activities

The current paid up capital of the bank stands at NPR 2,101,840,000.00, the current capital structure fully supports the functions of the bank. The issued capital of the bank is at NPR 3,000,000,000.00, which means that the bank has the ability to increas

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

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

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

	RISK WEIGHTED EXPOSURE	Amount
a	Risk weighted Exposure for Credit risk	15,213,055,136
b	Risk weighted Exposure for Operational Risk	808,432,037
c	Risk weighted Exposure for Market Risk*	56,612,187
ADJUSTMENT UNDER PILLAR II		-
	Add: 3% of the total RWE due to non compliance to Disclosure Requirement (6.4 a 10)	-
	Add:..% of the total deposit due to insufficient Liquid (6.4 a 6)	-
	Add:2% of RWE as Supervisory Haircut	321,561,940
	Add: 2% of Operational Risk as Supervisory Haircut	143,447,062
Total Risk Weighted Exposures (after bank's adjustments of Pillar II)		16,543,108,363

11 categories of Credit Risk Weighted Exposure

	Risk Weighted Exposure	Amount
a	Claims On Government and Central Bank	-
b	Claims On Other Official Entities	439,539,966
c	Claims On Banks	176,929,520
d	Claims on Corporate And Securities Firms	7,483,821,792
e	Claims On Regulatory Retail Portfolio	1,768,194,115
f	Claims Secured By Resedential Properties	233,724,632
g	Claims Secured By Commercial Real Estate	2,035,642,582
h	Past Due Claims	519,803,537
i	High Risk Claims	794,728,239
j	Other Assets	572,232,661
k	Off Balance Sheet Items	1,188,438,092
	Total Risk Weighted Assets	15,213,055,136

Total Risk Weighted Exposure Calculation Table

a	Risk Weighted Exposure for Credit risk	15,213,055,136
b	Risk Weighted Exposure for Operational Risk	808,432,037
c	Risk Weighted Exposure for Market Risk*	56,612,187
d	Capital charge for shortfall of liquid assets	-
e	Add:1% of Net Interest Income as Supervisory Haircut	
f	Add:2% of RWE as Supervisory Haircut	321,561,940
g	Add: 2% of Operational Risk as Supervisory Haircut	143,447,062
h	Total Risk Weighted Exposure	16,543,108,363
i	Total capital fund(Tier I& Tier II)	2,571,127,322
	Capital Adequacy Ratios(f ÷ e)	15.54%

Amount of non performing Assets(Both Gross and Net)

Restructured/Rescheduled loan

NPR 149,106,177.45

Substandard Loan

NPR 12,084,113.94

Doubtful Loan

NPR 72,127,677.92

Loss Loan

NPR 56,227,870.13

Ratio of Non Performing Assets

Gross NPA to Gross Advances

2.01%

Net NPA to Net Advances

1.05%

Movement of Non performing Assets

Non performing assets upto previous Year was NPR 146,175,892. This year the same has increased to NPR 289,545,840.

Write off of Loans and Interest Suspense

NIL

Movement in Loan Loss Provisions and interest Suspense

Loan loss provision and Interest Suspense upto last year was NPR 242,405,021 and NPR 74,449,832 respectively. In this year, Loan Loss Provision has been increased to NPR 285,789,868 and Interest Suspense has also increased to NPR 100,418,984.

Detail of Additional Loan loss Provisions

Additional Loan Loss Provision of NPR 45,732,385 and NPR 32,009,779 are made for Restructures/Rescheduled Loan and Doubtful Loan respectively.

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

Out of total investment, NPR 1,526,202,678 are held to maturity category and NPR 3,700,000 are categorised as available for sale.

3.Risk Management Function

Risk management objective and policies in the area of credit, market and operational risk including following:

- Strategies and process;
 - The structure and organization of the relevant risk management functions;
 - The scope and nature of risk reporting and /or measurement systems; and

 - Policies for hedging and/or mitigating risk and strategies, and processes for monitoring the continuing effectiveness of hedges/ mitigates
- Risk management objective and policies

Credit risk

Credit risk management of the bank is focused on the inherent risk associated with the credit and the possibility of the non recovery of credit due to such risk and evaluating and minimizing such possibility of non- recovery. Relevant policy and processes

Risk assessment: purpose of risk assessment is to determine the customer's ability to meet his obligation and inherent risk associated with the credit and minimizing such risk.

Risk grading: the bank classifies customer according to creditworthiness to focus attention on customer requiring increased supervision and remedial action.

Credit approval: Dual credit approval system is adopted in which credit recommended by one person is approved by the other person.

Assets writing strategies: The bank has framed assets writing strategy within the broad framework of Credit Policy Guideline of the bank. The assets writing strategy of the bank has laid down the acceptance criteria for bank's business.

Market risk

The bank has Assets Liability Management Committee which periodically reviews the change in liquidity, interest rate and foreign exchange rates and impact of such changes and functions to minimize the risk arising out of such changes as well as investment

Bank always tries to minimize foreign exchange risk exposure by squaring position of the foreign exchange on daily basis.

Operational risk

To minimize the operational risk the bank has prepared and implemented various procedures, guidelines and directives. Some of them are as follows:

- The bank has strong MIS system which helps to provide greater control over the day to day activities of the bank.
- Dual control system mechanism is adopted for recording every transaction
- Authority level of the each employees has been defined
- Executive committee meeting of the bank is conducted periodically to find out operational risk and minimize such risk.
- The bank has independent Internal Audit and Compliance department which conduct the audit of activities performed by the various departments.
- Bank has an operational manual which helps to control day to day operational activities.
- Bank also adopted KYC guidelines.

□□□□□□ **Type of eligible credit risk mitigants used and benefit obtained**

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