

DISCLOSURE AS PER BASSEL II

1. Capital structure and Capital Adequacy:

Core capital and its components

	Description	Amount
a	Paid up Equity Share Capital	1,206,950,000
b	Statutory General Reserve	68,842,594
c	Retained Earning	27,108,233
d	Un-Audited Current year Cumulative profit	
	Core Capital (tier 1)	1,302,900,827

Supplementary capital and its components:

	Description	Amount
a	General Loan Loss Provision	108,912,961
b	Exchange Equalization Reserve	814,557
c	Investment Adjustment Reserve	74,000
	Supplementary Capital(Tier 2)	109,801,518

Detailed information about the term debts with information on the outstanding amount, maturity, and 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)	1,302,900,827
b	Supplementary Capital(Tier2)	109,801,518
	Total Capital Fund(Tier1 & 2)	1,412,702,345

Capital Adequacy ratio

11.40%

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

The existing paid up capital of the Bank is NPR 1,000,000,000.00. The bank has received NPR 206,950,000.00 as calls in advance from its promoter. The Bank will complete its Right Issue within the First Quarter of Financial Year 2067/68 and will increase its capital to NPR 2,000,000,000.00 as per the requirement of Nepal Rastra Bank

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

All the capitals 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	11,709,278,168
b	Risk weighted Exposure for Operational Risk	547,701,811
c	Risk weighted Exposure for Market Risk*	16,427,854
d	Total Risk weighted exposure(a+b+c)**	12,396,097,118

* Addition in Market Risk as suggested by Nepal Rastra Bank(1% of Net Interest Income)

** Addition in RWE as suggested by Nepal Rastra Bank(1% of RWE)

11 categories of credit risk weighted exposure

	Risk Weighted Exposure	Amount
a	Claims On Government and Central Bank	-
b	Claims On Other Official Entities	575,926
c	Claims On Banks	361,713,162
d	Claims on Corporate And Securities Firms	5,236,136,789
e	Claims On Regulatory Retail Portfolio	1,324,122,844
f	Claims Secured By Residential Properties	288,934,284
g	Claims Secured By Commercial Real Estate	2,584,421,364
h	Past Due Claims	1,185,666
i	High Risk Claims	706,529,221
j	Other Assets	290,109,174
k	Off Balance Sheet Items	915,549,737
	Total Risk Weighted Assets	11,709,278,167

Total Risk Weighted Exposure Calculation Table

a	Risk Weighted Exposure for Credit risk	11,709,278,168
b	Risk Weighted Exposure for Operational Risk	547,701,811
c	Risk Weighted Exposure for Market Risk*	16,427,854
d	Capital charge for shortfall of liquid assets	-
e	Total Risk Weighted Exposure**	12,396,097,118
f	Total capital fund(Tier I& Tier II)	1,412,702,345
	Capital Adequacy Ratios(f ÷ e)	11.40%

* Addition in Market Risk as suggested by Nepal Rastra Bank(1% of Net Interest Income)

** Addition in RWE as suggested by Nepal Rastra Bank(1% of RWE)

Amount of nonperforming Assets (Both Gross and Net)**Restructured/Rescheduled loan**

NIL

Substandard Loan

NPR 4,366,471.73

Doubtful Loan

NIL

Loss Loan

NPR 29,221,251.25

Ratio of Non Performing Assets**Gross NPA to Gross Advances**

0.31%

Net NPA to Net Advances

0.31%

Movement of Nonperforming Assets

Nonperforming assets up to previous Year was Nil. This year the same has been increased to NPR 33,587,722.98

Write off of Loans and Interest Suspense

NIL

Movement in Loan Loss Provisions and interest Suspense

Loan loss provision and interest suspense up to last Year was NPR 82,102,163 and NPR 10,920,133 respectively. In this year, Loan Loss Provision has been increased to NPR 139,225,830 and Interest Suspense has also been increased to NPR 27,061,336

Detail of Additional Loan loss Provisions

Additional loan loss provision of NPR 1,091,618 & NPR 29,221,251 made for Substandard Loan & Loss Loan.

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

Out of total investment, NPR 2,676,467,562 is held to maturity category and NPR 3,700,000.00 are categorized 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 are mentioned in the credit policy guidelines prepared by the bank and disseminated to concerned employees of the bank. Credit policy guideline discourages providing credit merely on the basis of reputation of the borrower and the practice of the competitor bank. Credit policy guidelines also mention the high risk area and risk management guidelines. Credit policy guidelines give emphasis on following area:

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 by setting country level risk triggers, containment actions, portfolio target and overall risk management strategy.

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 function.

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

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.
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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 capital adequacy of the bank.