

DISCLOSURE AS PER BASSEL II

1. Capital structure and Capital Adequacy:

Core capital and its components

	Description	Amount
a	Paid up Equity Share Capital	2,000,000,000
b	Statutory General Reserve	108,513,420
c	Retained Earning	9,220,560
d	Share Premium	2,971,620
e	Un-Audited Current year Cumulative profit	
	Deductions	
	Miscellaneous Expenditure not written off	(2,887,440.00)
	Core Capital (tier 1)	2,117,818,160

Supplementary capital and its components:

	Description	Amount
a	General Loan Loss Provision	124,057,360
b	Exchange Equilisation Reserve	814,560
c	Investment Adjustment Reserve	74,000
	Supplementary Capital(Tier 2)	124,945,920

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)	2,117,818,160
b	Supplementary Capital(Tier2)	124,945,920
	Total Capital Fund(Tier1 & 2)	2,242,764,080

Capital Adequacy ratio

15.31%

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 2,000,000,000.00.

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	13,491,096,430
b	Risk weighted Exposure for Operational Risk	808,432,040
c	Risk weighted Exposure for Market Risk*	56,714,730
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:1% of Net Interest Income as Supervisory Haircut	6,062,990
	Add:2% of RWE as Supervisory Haircut	287,124,860
Total Risk Weighted Exposures (after bank's adjustments of Pillar II)		14,649,431,050

11 categories of credit risk weighted exposure

	Risk Weighted Exposure	Amount
a	Claims On Government and Central Bank	-
b	Claims On Other Official Entities	236,570
c	Claims On Banks	343,095,110
d	Claims on Corporate And Securities Firms	6,547,276,300
e	Claims On Regulatory Retail Portfolio	1,370,748,320
f	Claims Secured By Residential Properties	321,402,100
g	Claims Secured By Commercial Real Estate	2,466,574,460
h	Past Due Claims	66,815,430
i	High Risk Claims	643,608,800
j	Other Assets	383,165,500
k	Off Balance Sheet Items	1,348,173,840
	Total Risk Weighted Assets	13,491,096,430

Total Risk Weighted Exposure Calculation Table

a	Risk Weighted Exposure for Credit risk	13,491,096,430
b	Risk Weighted Exposure for Operational Risk	808,432,040
c	Risk Weighted Exposure for Market Risk*	56,714,730
d	Capital charge for shortfall of liquid assets	-
e	Add:1% of Net Interest Income as Supervisory Haircut	6,062,990
f	Add:2% of RWE as Supervisory Haircut	287,124,860
g	Total Risk Weighted Exposure	14,649,431,050
h	Total capital fund(Tier I& Tier II)	2,242,764,080
	Capital Adequacy Ratios(f ÷ e)	15.31%

Amount of non performing Assets(Both Gross and Net)

Restructured/Rescheduled loan

NIL

Substandard Loan

NPR 34,000,740

Doubtful Loan

NPR 8,108,120

Loss Loan

NPR 104,067,032

Ratio of Non Performing Assets

Gross NPA to Gross Advances

1.17%

Net NPA to Net Advances

1.19%

Movement of Non performing Assets

Non performing assets upto previous Year was NPR 33,587,722.98. This year the same has been increased to NPR 146,175,892

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 139,225,830 and NPR NPR 27,061,336 respectively. In this year, Loan Loss Provision has been increased to NPR 242,405,021 and Interest Suspense has also been increased to NPR 74,449,832

Detail of Additional Loan loss Provisions

Additional loan loss provision of NPR 34,000,740, NPR 8,108,120 and NPR 104,067,032 made for Substandard Loan, Doubtful and Loss Loan.

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

Out of total investment NPR 2,397,737,096 are held to maturity category and NPR 3,700,000.00 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 by setting country

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 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.

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