

## DISCLOSURE AS PER BASEL II:

### 1. Capital structure and capital adequacy

#### Tier 1 capital and a breakdown of its components:

<b>Core Capital (Tier 1)</b>		<b>1,446,161,406</b>
a	Paid up Equity Share Capital	1,400,000,000
b	Irredeemable Non-cumulative preference shares	-
c	Share Premium	-
d	Proposed Bonus Equity Shares	-
e	Statutory General Reserves	1,926,299
f	Accumulated profit/(loss) till end of previous fiscal year	36,534,751
g	Net profit/(Loss) for Current fiscal year	7,700,356
h	Capital Redemption Reserve	-
i	Capital Adjustment Reserve	-
j	Dividend Equalization Reserves	-
k	Bonds redemption Reserve	-
l	Deferred Tax Reserve	-
m	Other Free reserve	-

#### Tier 2 capital and a breakdown of its components:

<b>Supplementary Capital (Tier 2)</b>		<b>6,088,139</b>
a	Cumulative and/or Redeemable Preference Share	-
b	Subordinated Term Debt	-
c	Hybrid Capital Instruments	-
d	General loan loss provision	6,083,300
e	Exchange Equaliazation Reserve	4,839
f	Investment Adjustment Reserve	-
g	Assets Revaluation Reserve	-
h	Other Reserves	-

- ✚ **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 does not have any subordinated Term Debts

- ✚ **Deductions from capital:**

- There is no item to be deducted from capital

- ✚ **Total qualifying capital:**

<b>Core Capital (Tier 1)</b>	<b>1,446,161,406</b>
<b>Total Capital Fund (Tier I and Tier II)</b>	<b>1,452,249,545</b>

- ✚ **Capital Adequacy Ratio:**

Tier 1 Capital to Total Risk Weighted Exposures	69.29%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	69.58%

- ✚ **Summary of the bank’s internal approach to assess the adequacy of its capital to support current and future activities, if applicable:**

- ✚ -Periodic supervision by the top management
- Regular monitoring by the Internal Audit Department

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

- Bank does not have any other capital and instruments except fully paid equity shares as qualifying capital.

## 2. Risk exposures

- ✚ Risk weighted exposures for Credit Risk, Market Risk and Operational Risk:

Risk Weight Exposures under each of 11 categories of Credit Risk:

Categories	Risk Weighted Exposure
All other claims on Nepal Rastra Bank	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks	105,000,000
Claims on domestic banks	272,177,759
Claims on domestic banks that do not meet capital adeq req	3,102,920
Claims on Domestic Corporates	375,842,550
Regulatory Retail Portfolio (Not Overdue)	22,357,274
Claims secured by residential properties	23,562,661
High Risk claims	97,888,564
Other Assets	144,157,514
Off Balance Sheet items	19,934,327
<b>Total</b>	<b>1,064,023,569</b>

a	Risk Weighted Exposure for Credit Risk	1,064,023,569
b	Risk Weighted Exposure for Operational Risk	1,022,693,303
c	Risk Weighted Exposure for Market Risk	524,413
<b>Total Risk Weighted Exposures</b>		<b>2,087,241,286</b>

 Total Risk Weighted Exposure calculation table:

<b>Total Risk Weighted Exposures</b>	<b>2,087,241,286</b>
<b>Total Core Capital Fund</b>	<b>1,452,249,545</b>
<b>Total Capital Fund</b>	<b>1,446,161,406</b>
Total Core Capital to Total Risk Weighted Exposures	69.29%
Total Core Capital to Total Risk Weighted Exposures	69.58%

 Amount of NPAs (both Gross and Net)

- Restructure/Reschedule Loan
  - Nil
- Substandard Loan
  - Nil

- Doubtful Loan
  - Nil

- Loss Loan
  - Nil

#### ✚ **NPA ratios**

- Gross NPA to gross advances
  - Nil
- Net NPA to net advances
  - Nil

#### ✚ **Movement of Non Performing Assets**

In NPR

Non Performing Assets Category	Last Year	This Year	Change
Substandard Loan	-	-	-
Doubtful Loan	-	-	-
Loss Loan	-	-	-

#### ✚ **Write off of Loans and Interest Suspense**

- Nil

#### ✚ **Movements in Loan Loss Provisions and Interest Suspense**

There is no movement in loan loss provisions and interest suspense account.

As per NRB directives, all interest accruals on loans and advances, irrespective of the loan category, are transferred to interest suspense account until the interest accrued and due is realized in cash. Details of Interest Suspense Movement have been presented in Schedule No. 4.16 & schedule no. 4.16(A).

#### ✚ **Details of additional Loan Loss Provisions**

No additional loan loss were required as per the Bank's estimate

#### ✚ **Segregation of investment portfolio into Held for trading, Held to maturity and Available for sale category.**

Investment Portfolio	Amount in NPR '000'
Held for trading	NIL
Held to Maturity	75,000
Available for Sale	NIL

### 3. Risk Management Function

#### Strategies and Processes

Credit risk process is a joint effort between business and credit areas. Relationship Managers involved in business interact with Credit Risk Officers in analyzing inherent risks in the customer's business, cash flow and structure a facility that simultaneously accommodates the financing needs, while assuring seniority, protection and control of bank's assets and primary & secondary collateral.

#### The Structure and Organization of the Relevant Risk Management Function

The Board of Directors (BOD) is the ultimate authority in decision making process. The process, however, is initiated at the business unit, credit risk department and goes through the CEO, board level credit committee and the BOD. The risk management stops at different levels depending on the Bank's policy relating to approval discretions. Further policy manuals on credit, asset liability, information technology & operations are also available to guide the staff on day to day business.

#### The Scope and Nature of Risk Reporting and / or Measurement Systems

Risk reporting/ measurement system is done through regular customer interactions, site inspections & annual reviews. This is a continuous process. Further, quarterly review of the bank's performance is conducted every quarter and findings reported to the BOD.

#### **Policies for Hedging and / or mitigating risk and Strategies, and processes for monitoring the continuing effectiveness of hedges / mitigants**

Policies for mitigating risks & strategies are as outlined in the respective manuals and as discussed at various levels after customer interactions/ visits, during annual reviews, quarterly reviews and at meetings at various levels.

#### **Types of Eligible credit risk mitigants used and the benefits availed under CRM:**

Particulars	Eligible CRM
Deposits with Bank	11,900,936
Deposits with other banks/FI	-
Gold	21,261,308
Govt. & NRB Securities	-
Sec/G'tee of Other Sovereigns	-
<b>Total</b>	<b>33,162,244</b>