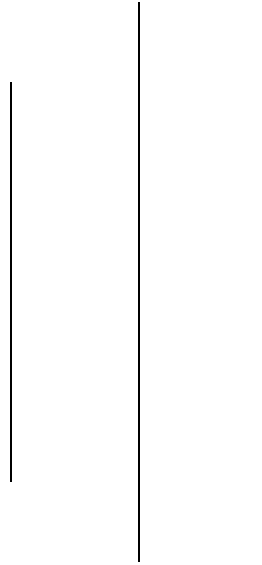




BASEL DISCLOSURE



AS ON ASHWIN END 2079

DISCLOSURE UNDER CAPITAL ADEQUACY FRAMEWORK OF NRB (BASEL II)

As on 31st Ashwin 2079

1. CAPITAL STRUCTURE & CAPITAL ADEQUACY

i. Core Capital (Tier I)

(NPR '000')

Particulars		Amount
A	Paid-up Equity Share Capital	519,000.00
B	Share Premium	1.81
C	Statutory General Reserve	15,500.75
D	Proposed Bonus Equity Share	-
E	Retained Earnings	26,497.04
F	Accumulated Profit/(Loss)	(37,247.58)
G	Capital Adjustment Reserve	-
H	Debenture Redemption Reserve	-
I	Other Free Reserve	-
I	Less: Deferred Tax Assets	-
J	Less: Purchase of land & building in excess of limit and unutilized	-
Total Core Capital (Tier I)		523,752.03

ii. Supplementary Capital (Tier II)

(NPR '000')

Particulars		Amount
A	Subordinate Term Debt	-
B	General Loan Loss Provision	50,151.16
C	Investment Adjustment Reserve	-
D	Exchange Equalization Reserve	-
E	Other Reserves	17,446.18
Total Supplementary Capital (Tier II)		67,597.35

iii. Information about Subordinate Term Debt

The finance does not have any subordinated Term Debts.

iv. Deduction Form Capital

Particulars	Amount
Deferred Tax Assets	-
Purchase of land & building in excess of limit and unutilized	-
Total	-

v. **Total Qualifying Capital**

Particulars	Amount
Total Core Capital (Tier I)	523,752.03
Total Supplementary Capital (Tier II)	67,597.35
Total Capital Fund (Tier I + Tier II)	588,574.94

vi. **Capital Adequacy Ratio**

Capital Adequacy Ratio (Percentage)	20.5%
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vii. **Summary of the Bank's internal approach to assess the adequacy of capital to support current and future activities.**

The finance considers the capital adequacy requirement pursuant to the provision set by NRB. The tier 1 capital ratio of the Finance as on Ashwin 2079 is 18.24% and the total capital ratio is 20.50%. The Bank has successfully achieved the paid up capital requirement of NRB, which is NPR 500 Million. The Bank in its strategic planning cautiously considers the capital adequacy and projects capital adequacy required for the organization's growth.

2. **Risk Exposure**

i. **Risk Weighted Exposure for Credit Risk, Market Risk and Operational Risk**

(NPR '000')

Particulars		Amount
A	Risk Weighted Exposure for Credit Risk	2,729,393.46
B	Risk Weighted Exposure for Operational Risk	31,318.80
C	Risk Weighted Exposure for Market Risk	-
Total Risk Weighted Exposure (Before adjustment of Pillar II)		2,760,712.26
Adjustments		
SRP 6.4a (5)	ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	176.32
SRP 6.4a (6)	Add.....% of the total deposit due to insufficient Liquid Assets	-
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 2-5% of gross income	-
SRP 6.4a (9)	If overall risk management policies and procedures are not satisfactory. Add% of RWE	82,821.37
SRP 6.4a (10)	If desired level of disclosure requirement has not been achieved, Add.....% of RWE	27,607.12
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		2,871,317.07

ii. Risk Weighted Exposure under each 11 Categories of Credit Risk

(NPR '000')

Particulars		Amount
A	Balance Sheet Exposures	2,720,575.26
1	Claims on Government and Central Bank	-
2	Claims on Other Official Entities	-
3	Claims on Banks	137,850.15
4	Claims on Corporate and Securities Entities	116,957.70
5	Claims on Regulatory Retail Portfolio (Not overdue)	1,194,828.98
6	Claims Secured by Residential Properties	223,092.82
7	Claims Secured by Residential Properties (Overdue)	3,879.62
8	Claims Secured by Commercial Real Estate	-
9	Past Due Claims	110,488.13
10	High Risk Claims	802,075.12
11	Lending against securities (shares and bonds)	8,851.09
12	Investments in equity and other capital instruments of institutions listed in stock exchange	22,500.00
13	Investments in equity and other capital instruments of institutions not listed in the stock exchange	-
14	Staff loan secured by residential property	18,717.70
15	Other Assets	81,333.94
B	Off- Balance Sheet Exposures	8,818.20
1	Bid Bond, Performance Bond and Counter guarantee domestic counterparty	-
2	Irrevocable Credit commitments (short term)	8,818.20
3	Irrevocable Credit commitments (Long term)	-
Total (A+B)		2,729,393.46

iii. Amount of Non-Performing Assets (Gross and Net Amount)

(NRs. '000')

	Particulars	Gross Amount	Provision	Net Amount
A	Restructured	-	-	-
B	Sub-standard	91,397.88	22,293.61	69,104.27
C	Doubtful	16,413.94	7,363.76	9,050.18
D	Loss	16,535.81	11,776.65	4,759.16
	Total	124,347.62	41,434.02	82,913.60

iv. Non-Performing Assets (NPA) Ratios

NPA Ratios	Percentage (%)
Gross NPA to Gross Advances	4.48%
Net NPA to Net Advances	3.09%

v. Movement of Non-Performing Assets

(NRs. '000')

	Particulars	Opening Balance (Ashadh End 2079)	Closing Balance (Ashwin End 2079)	Movement
A	Restructured	-	-	-
B	Sub-standard	15,971.79	91,397.88	75,426.09
C	Doubtful	13,950.32	16,413.94	2,463.62
D	Loss	9,184.55	16,535.81	7,351.26

vi. Write Off Of Loans and Interest Suspense

Nil

vii. Movement of Loan Loss Provision

(NRs. '000')

	Particulars	Opening Balance (Ashadh End 2079)	Closing Balance (Ashwin End 2079)	Movement
A	Pass	30,772.73	27,585.76	(3,186.97)
B	Watch-list	4,101.39	19,488.22	15,386.83
C	Restructured	-	-	-
D	Sub-standard	3,611.31	22,293.61	18,682.30
E	Doubtful	6,520.25	7,363.76	843.51
F	Loss	5,145.49	11,776.65	6,631.16
	Total	50,151.16	88,508.00	38,356.84

viii. Segregation of the Finance's Investment portfolio

Investments are segregated as per NRB Directive.

(NRs. '000')

Investment held for Trading:	-
Investment held to Maturity:	138,789.97
Investment Available for Sales (Cost) :	22,500.00

3. Risk Management Function

The bank has a risk management system to identify, assess, and monitor the risk inherent in banking operation such as credit risk, market risk, liquidity risk, operation risk, capital adequacy and provide appropriate directions and guidelines to the management for mitigation of risk. A risk management system incorporating every area has been formed for effective risk management.

i. Credit Risk

The bank has Risk Management Policy, Credit policy Guidelines and standardized form for analyzing the risk and credit worthiness. The bank's Credit Risk Unit is structured for inspection and supervision of loan proposals before the loan approval. Furthermore, delegation of approving authority to various level and compliance of NRB directive is ensured. Risk Weighted Exposure for Credit Risk has been calculated as per NRB Capital Adequacy Framework.

ii. Operation Risk

The bank has formed various policies for mitigating the operation risk like Financial Administration bylaws, Employee Bylaws, Operation Manual, AML/CFT policy. Risk Weighted Exposure for Operation Risk has been calculated as per NRB Capital Adequacy Framework.

iii. Market Risk

Finance Department act proactively to cope up with the market risk. Risk Weighted Exposure for market risk has been calculated as per the NRB capital Adequacy Framework.

iv. Liquidity Risk

To mitigate the liquidity risk, the bank daily monitors the liquidity position. Similarly, periodic review of gap over the assets and liabilities is also performed.

v. Reputational Risk

The management team along with all staffs are responsible for protecting the bank's reputation and ensures bank does not take any activity that may cause material damage to reputation of the bank. Further, the bank also has appointed the information officer.