

DISCLOSURE UNDER Capital Adequacy Framework 2007
(Updated July 2008)

At the end of Ashad 2068

1. CAPITAL STRUCTURE & CAPITAL ADEQUACY

(Amount in Lacs)

i. Core Capital (Tier I)

	Particulars	Amount	Amount
A	Paid UP Equity Share Capital		18,693.03
B	Proposed Bonus Equity Share		-
C	Statutory General Reserve		3,828.68
D	Retained Earnings		-
E	Share Premium		496.60
F	Unaudited Current Year Cumulative Profit		-
G	Capital Adjustment Reserve		500.00
H	Deferred Tax Reserve		269.85
I	Current Year's P/L Account		4,687.62
J	Other Free Reserve (Debenture Redemption Reserve)		1,142.86
K	Less:		(96.91)
	a) Fictitious Assets	-	
	b) Investment arising out of underwriting commitments	(96.91)	
	Total Core Capital (Tier I)		29,521.73

ii. Supplementary Capital (Tier II)

	Particulars		Amount
A	Subordinate Term Debt		800.00
B	General Loan Loss Provision		2,137.93
C	Exchange Equalization Reserve		102.00
D	Investment Adjustment Fund		6.94
	Total Supplementary Capital (Tier II)		3,046.88

iii. Capital Fund (Tier I + Tier II)

Particulars	Amount
Total Core Capital (Tier I)	29,521.73
Total Supplementary Capital (Tier II)	3,046.88
Total Capital Fund (Tier I + Tier II)	32,568.61

iv. Information about Subordinate Term Debt

6% Nepal SBI Debentures 2070 of Rs. 1,000/- each issued on 16.07.2006 and maturing o 15.07.2013	
	2,000.0
- Outstanding Amount	0
- Fixed Maturity Period of 7 Years from 16.07.2006	
- Interest Payment - Half Yearly	
- At the time of liquidation, right of claims will be only after depositors	
- Redeemable and Non-Convertible	
	1,142.8
- Outstanding Balance of Redemption Reserve	6
- Amount raised during the year	Nil
- Amount Eligible to be reckoned as Capital Fund	800.00

v. Deduction Form Capital

	Particulars	Amount
A	Fictitious Assets	Nil
B	Investment arising out of underwriting commitments	96.91
	Total Deduction	96.91

vi. TOTAL QUALIFYING CAPITAL

	Total Qualifying Capital	32,568.61
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vii. Capital Adequacy Ratio

	Capital Adequacy Ratio (Percentage)	11.74
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viii. Summary of Bank's Internal Approach to assess the adequacy of its capital to support current and future activities

A comprehensive ICAAP document is in place in this regard.

ix. Features of Subordinate Term Debt

- Fixed Maturity Period of 7 years
- Interest payment half yearly
- At the time of liquidation, right of claims will be only after depositors
- Redeemable and non convertible

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

	Particulars	Amount
A	Risk Weighted Exposure for Credit Risk	252,599.70
B	Risk Weighted Exposure for Operational Risk	14,898.41
C	Risk Weighted Exposure for Market Risk	7,249.22
	Total Risk Weighter Exposure (A+B+C)	274,747.33
Adjustments Under Pillar II		
D	Add: 1% of the total RWE as Supervisor is not satisfied with the overall risk Management Policies and Procedures (6.4 a 9)	2,747.47
E	Add: .% of the total deposit due to insufficient Liquid Assets (6.4 a 6)	-
	Total Risk Weighted Exposures (After Bank's Adjustment of Pillar II)	277,494.80

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

S.No.	Categories	Amount
1	Claims on Government and Central Bank	-
2	Claims on Other Official Entities	1,620.98
3	Claims on Banks	31,117.01
4	Claims on Corporate and Securities Entities	122,401.38
5	Claims on Regulatory Retail Portfolio	30,038.37
6	Claims Secured by Residential Properties	16,239.53
7	Claims Secured by Commercial Real Estate	3,130.62
8	Past Due Claims	1,910.10
9	High Risk Claims	10,160.01
10	Other Assets	8,830.04
11	Off Balance Sheet Items	27,151.66
Total		252,599.70

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

	Particulars	Gross Amount	Provision	Net Amount
A	Restructured	1,399.45	464.11	935.33
B	Sub-standard	23.96	5.19	18.77
C	Doubtful	18.00	4.96	13.04
D	Loss	951.59	918.00	33.59
	Total	2,392.99	1,392.26	1,000.73

iv. Non Performing Assets (NPA) Ratios

NPA Ratios	Percentage (%)
- Gross NPA to Gross Advances	1.10
- Net NPA to Net Advances	0.47

v. Movement of Non Performing Assets

S.No.	Particulars	Opening Balance (Ashad End 2067)	Closing Balance (Ashad End 2068)	Movement
	Non Performing Loan			
1	Restructured	2,274.48	1,399.45	(875.04)
2	Sub-Standard	129.75	23.96	(105.79)
3	Doubtful	11.14	18.00	6.86
4	Loss	2,510.44	951.59	(1,558.86)

vi Write-off of loans and interest Suspense

During the financial year the bank has written off Rs 138,172,628.45 loan (principal) and Rs. 145,842,204.78 interest suspense as per NRB Directive.

**vii. Movement Of Loan Loss Provision and Interest
Suspense**

Loan Loss Provision

S.No.	Particulars	Opening Balance (Ashad End 2067)	Closing Balance (Ashad End 2068)	Movement
1	Pass	1,735.84	2,137.93	402.10
2	Restructure	603.46	464.11	(139.35)
3	Sub-Standard	31.90	5.19	(26.71)
4	Doubtful	2.19	4.96	2.77
5	Loss	2,457.55	918.00	(1,539.55)
Total Loan Loss Provision		4,830.93	3,530.20	(1,300.73)

Interest Suspense

S.No.	Particulars	Opening Balance (Ashad End 2067)	Closing Balance (Ashad End 2068)	Movement
1	Interest Suspense	2,832.56	1,326.21	(1,506.35)

**viii. Details of Additional Loan Loss
Provision**

S.No.	Particulars	Ashad End 2068
1	Pass	402.10
2	Restructure	(139.35)
3	Sub-Standard	(26.71)
4	Doubtful	2.77
5	Loss	(1,539.55)
Total		(1,300.73)

ix. Segregation of the Bank's Investment portfolio

Investments are segregated as per NRB Directive. At the present, investment under category " Held for Trade " is Nil and investments under other categories are as follows:

A. Investment Held to Maturity

S.No.	Particulars	Cost Price (a) Rs.	Impairment Till Date (b) Rs.	Impairment This Year (c) Rs.	This Year Profit /Loss (a-b-c) Rs.	Previous Year Profit /Loss Rs.	Remarks
1	Nepal Government Treasury Bills	46,821.18	-	-	-	-	
2	Nepal Government Other securities	8,927.25	-	-	-	-	
3	Foreign Bank Investment (Placement)	132,965.33					
4	Other Investments (Inter Bank Lending)	-	-	-	-	-	
	Total Investment	188,713.75	-	-	-	-	

B. Investment Available for Sale

S.No.	Particulars	Cost Price Rs.	Previous Market Price(a) Rs.	Current Market Price (b) Rs.	This Year Investment Adjustment Reserve (b-a) Rs.	Previous Year Profit /Loss Rs.	Remarks
1	Shares, Debentures and Bond of Domestic Entity						
	Listed	96.91	102.27	100.02	-	-	*
	Not Listed	299.56	-	-	-	-	**
	Total Investment	396.47	102.27	100.02	-	-	

Note:

* Even though the current market price is higher than the cost price we have not marked these securities to market because the volume of transaction on these securities is very low.

** No Investment Adjustment Reserve has been maintained because NRB Directive No. 4/ 2068 has exempted maintenance of such reserve against investment in Credit Information Center Ltd., Nepal Clearing House and National Banking Training Institute

3. RISK MANAGEMENT FUNCTION

i. Strategies and Policies

Credit risk process is a joint effort between its marketing and credit areas. Credit officers are engaged in analyzing inherent risks in the customer's business, ability to repay and structure a facility that simultaneously accommodates the financing needs, while assuring seniority, protection and control of the bank's assets and collateral.

ii. The Structure and Organization of the Relevant Risk Management Function

The Board of Directors (BOD) is the ultimate authority in the decision making process. The process, however, is initiated at the business unit officers / business unit heads / ALCO level, credit control and goes through the Chief Credit Officer, Managing Director, 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, risk management and operations are also available to guide the staff on day to day business.

iii. 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. These are continuous processes. Further, review of the bank's performance is conducted every quarter and findings are reported to the BOD.

iv. Policies for Hedging and / or the mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigates

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.

v. Eligible CRM

Particulars	Eligible CRM
Deposits with Bank	10,346.79
Govt. & NRB Securities	2,518.04
G'tee of domestic banks	232.53
G'tee of foreign banks	1,839.41
Total	14,936.77