

Disclosure under Capital Adequacy Framework
As at Poush 2073

1. Capital Structure and Capital Adequacy

1.1. Capital Adequacy Ratio

Capital Adequacy Ratios	Ratio
Common Equity Tier I Ratio	9.74%
Core Capital Ratio - Tier I	9.74%
Total Capital Ratio - Tier I+ Tier II	10.73%

1.2. Total Qualifying Capital:

Qualifying Capital	Amount
Core Capital (Tier I Capital)	2,574,799,994
Supplementary Capital (Tier II)	261,076,283
Total Capital Fund (Tier I and Tier II)	2,835,876,277

1.3. Tier 1 Capital and breakdowns of its Components

Particulars	Amount (Rs.)
Paid up Equity Share Capital	2,307,200,000
Share Premium	-
Proposed Bonus Equity Shares	-
Statutory General Reserves	127,357,404
Retained Earnings	4,016
Un-audited current year cumulative profit/(loss)	161,347,589
Capital Redemption Reserve	-
Capital Adjustment Reserve	-
Dividend Equalization Reserves	-
Other Free Reserve	16,872,710
Less: Goodwill	-
Less: Intangible Assets	21,109,015
Less: Deferred Tax Assets	16,872,710
Less: Fictitious Assets	-
Less: Investment in equity in licensed Financial Institutions	-
Less: Investment in equity of institutions with financial interests	-
Less: Investment in equity of institutions in excess of limits	-
Less: Investments arising out of underwriting commitments	-
Less: Reciprocal crossholdings	-
Less: Purchase of land & building in excess of limit and unutilized	-
Less: Cash Flow Hedge	-
Less: Defined Benefits Pension Assets	-
Less: Unrecognized Defined Benefit Pension Liabilities	-
Less: Other Deductions	-
Adjustments under Pillar II	
Less: Shortfall in Provision	-
Less: Loans & Facilities extended to related parties and restricted lending	-
Common Equity Tier I (CET 1)	2,574,799,994
Perpetual Non Cumulative Preference Share Capital	-
Perpetual Debt Instruments	-
Stock Premium	-
Additional Tier I (AT 1)	-
Tier 1 Capital (Core Capital) (CET1 + AT1)	2,574,799,994

1.4. Tier 2 Capital and breakdowns of its Components

Particulars	Amount (Rs.)
Cumulative and/or Redeemable Preference Share	-
Subordinated Term Debt	-
Hybrid Capital Instruments	-
Stock Premium	-
General Loan Loss Provision	234,304,434.16
Exchange Equalization Reserve	11,491,848.57
Investment Adjustment Reserve	15,280,000.00
Assets Revaluation Reserve	-
Other Reserves	-
Supplementary Capital (Tier II)	261,076,282.73

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

- a) Periodic supervision by the top management.
- b) Regular monitoring by the internal audit department

Disclosure Under Capital Adequacy Framework

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

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

2. Risk Exposure

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

Particulars	Amount (Rs.)
Risk Weighted Exposure for Credit Risk	23,467,846,803
Risk Weighted Exposure for Operational Risk	1,217,099,882
Risk Weighted Exposure for Market Risk	52,021,693
Total Risk Weighted Exposures	24,736,968,378
Adjustments under Pillar II	
Add: ..% of the total deposit due to insufficient Liquid Assets(6.4 a 6)	
Add: 3% of the total RWE charge from NRB (6.4a (9))	742,109,051
Add: 3% of the total RWE charge from NRB (6.4 a 10)	742,109,051
Add: 2% capital charge from NRB to risk weighted exposure for operational risk	201,473,830
Total Risk weighted Exposures (After bank's Adjustment of Pillar II)	26,422,660,311

2.2 Risk Weighted Exposures under each of 11 categories of Credit Risk:

Particulars	Amount (Rs.)
a) Claims on government & central bank	-
b) Claims on other official entities	190,100,000
c) Claims on banks	644,721,579
d) Claims on corporate & securities firms	13,892,210,427
e) Claims on regulatory retail portfolio	4,138,147,308
f) Claims secured by residential properties	481,077,775
g) Claims secured by commercial real state	318,368,414
h) Past due claims	-
i) High risk claims	1,250,876,622
j) Other assets	666,311,799
k) Off balance sheet items	1,886,032,878
Total Risk Weightage Assets	23,467,846,803

Details of Non-Performing Assets (Gross amount and Net amount)

Particulars	Loan (Rs.)
Restructured and rescheduled loan	
Sub-standard loan	147,407,528
Doubtful loans	9,073,290
Bad loan	434,889,396
Total	591,370,214
Provision For Loss(Non-Performing Loans Only)	476,277,923
Net Amount	115,092,291

NPA Ratio

Particulars	Ratio
Gross NPA to Gross Advances	2.57%
Net NPA to Net Advances	0.52%

Movement of Nonperforming Assets:

Particulars	This Quarter	Previous Quarter
Non Performing Assets (Gross)	591,370,214	187,343,577
Non Performing Assets (Net of Provisions)	115,092,291	22,752,432

Write off of loans and interest Suspense during the Period :

Rs. 1,829,499.32

Movements in Loan Loss Provisions and interest suspense

Particulars	This Quarter	Previous Quarter
Loan Loss Provision	710,582,357	388,607,055
Interest Suspense	93,851,747	68,971,632

Details of additional Loan Loss Provision:

Particulars	This Quarter
1. a. Pass	14,832,857
1. b. WatchList	(14,414,810)
2. Restructured	-
3. Substandard	16,481,125
4. Doubtful	2,133,374
5. Loss	8,716,440
6. Provision of Non Banking Assets	-
Total Loan Loss Provision	27,748,986

Segregation of Investment Portfolio:

Particulars	This Quarter
Held for Trading	6,227,174.00
Held to Maturity	3,635,222,983
Available for Sale	17,302,600
Total Investments	3,658,752,757

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, 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 mitigant used and the benefits availed under CRM:

Particulars	Eligible CRM
Deposits with Bank	195,334,502
Deposits with other Banks / FI	-
Gold	128,775,972
Govt. & NRB Securities	39,997,169
Sec/ G'tee of Other Sovereigns	-
Total	364,107,643

Internal Capital Adequacy Assessment Process (ICAAP):

The bank has been preparing internal capital adequacy assessment on daily basis while it has been monitored by management committee on fortnightly basis.

Stress testing:

The bank has been conducting stress testing which is being reported to the Board of Directors on quarterly basis.