

**Disclosure under Capital Adequacy Framework
As at Year End 2070/71
As at 16 July 2014 (32 Ashad 2071)**

1. Capital Structure and Capital Adequacy

Tier 1 Capital and breakdowns of its Components

Particulars	Amount (NRs.)
Paid Up Capital	2,060,000,000
General Reserve	70,559,766
Retained Earning	76,105,494
Deferred Tax Reserve	12,776
Less: Fictitious Assets	(800,219)
Less: Investment in equity of institutions with financial interests	(15,000,000)
Less: Loans & Facilities extended to related parties and restricted lending	-
Core Capital	2,190,877,817

Tier 2 Capital and breakdowns of its Components

Particulars	Amount (NRs.)
General Loan Loss Provision	158,224,074
Exchange Fluctuation Reserve	110,281
Investment Adjustment Reserve	440,000
Supplementary Capital	158,774,355

Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, amount raised during the year and amount eligible to be reckoned as capital funds:

We have no such subordinated term debt.

Deductions from capital

Particulars	Amount (NRs.)
Premium on development Bond	800,219
Investment in equity of institutions with financial interests	15,000,000

Total qualifying Capital

Particulars	Amount (NRs.)
Core Capital	2,190,877,817
Supplementary capital	158,774,355
Total Capital Fund	2,349,652,172

Capital Adequacy Ratio :

12.88%

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

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 (NRs.)
Risk Weighted Exposure for Credit Risk	16,905,808,811
Risk Weighted Exposure for Operational Risk	579,733,943
Risk Weighted Exposure for Market Risk	113,135,640
Total Risk Weighted Exposures	17,598,678,394
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 (6.4 a 10)	527,960,352
Add: 2% capital charge from NRB to risk weighted exposure for operational risk	116,026,858
Total Risk weighted Exposures (After bank's Adjustment of Pillar II)	18,242,665,604

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

Particulars	Amount (NRs.)
a) Claims on government & central bank	-
b) Claims on other official entities	103,500,000
c) Claims on banks	364,730,266
d) Claims on corporate & securities firms	11,626,721,051
e) Claims on regulatory retail portfolio	1,269,484,816
f) Claims secured by residential properties	184,577,813
g) Claims secured by commercial real state	449,431,158
h) Past due claims	189,078,295
i) High risk claims	1,185,992,163
j) Other assets	427,374,767
k) Off balance sheet items	1,104,918,483
Total Risk Weightage Assets	16,905,808,811

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

Particulars	Loan (NRs.)
Restructured and rescheduled loan	-
Sub-standard loan	15,000,000
Doubtful loans	110,371,284
Bad loan	37,470,795
Total	162,842,079
Provision For Loss(Non-Performing Loans Only)	96,406,437
Net Amount	66,435,642

NPA Ratio

Particulars	Ratio
Gross NPA to Gross Advances	1.02%
Net NPA to Net Advances	0.42%

Movement of Nonperforming Assets:

Particulars	This Year	Previous Year	Changes (%)
Non Performing Assets (Gross)	162,842,079	27,325,973	495.92%
Non Performing Assets (Net)	66,435,642	18,258,931	263.85%

Write off of loans and interest Suspense during the Period :

NIL

Movements in Loan Loss Provisions and interest suspense

Particulars	This Year	Previous Year	Changes (%)
Loan Loss Provision	254,630,511	129,552,328	96.55%
Interest Suspense	26,200,509	16,912,783	54.92%

Details of additional Loan Loss Provision:

Particulars	This Year
1. Pass	37,738,789
2. Restructured	-
3. Substandard	(845,946)
4. Doubtful	50,714,546
5. Loss	37,470,795
6. Provision of Non Banking Assets	3,706,847
Total Loan Loss Provision	128,785,030

Segregation of Investment Portfolio:

Particulars	Amount (NRs.)
Held for Trading	-
Held to Maturity	886,208,515
Available for Sale	24,302,600
Total Investments	910,511,115

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 / 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.

Types of eligible credit risk mitigate used and the benefits availed under CRM:

Particulars	Eligible CRM
Deposits with Bank	144,744,551
Deposits with other Banks / FI	-
Gold	358,857,552
Govt. & NRB Securities	-
Sec/ G'tee of Other Sovereigns	-
Total	503,602,103

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 monthly basis.

Stress testing:

The bank has been conducting stress testing which is being reported to Board on quarterly basis and reporting to NRB.