

NPA, LLP, Int Suspense of Last Qtr is to be manually adjusted.

**Disclosure under Capital Adequacy Framework
As at Ashadh 2072**

1. Capital Structure and Capital Adequacy

Tier 1 Capital and breakdowns of its Components

Particulars	Amount (Rs.)
Paid Up Capital	2,060,000,000
General Reserve	70,559,766
Retained Earning	227,249,520
Deferred Tax Reserve	12,776
Less: Fictitious Assets	-
Less: Investment in equity of institutions with financial interests	(15,000,000)
Less: Loans & Facilities extended to related parties and restricted lending	-
Core Capital	2,342,822,062

Tier 2 Capital and breakdowns of its Components

Particulars	Amount (Rs.)
General Loan Loss Provision	185,396,492
Exchange Fluctuation Reserve	110,281
Investment Adjustment Reserve	440,000
Supplementary Capital	185,946,773

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 (Rs.)
Premium on development Bond	-
Loans & Facilities extended to related parties and restricted lending	-
Investment in equity of institutions with financial interests	15,000,000

Total qualifying Capital

Particulars	Amount (Rs.)
Core Capital	2,342,822,062
Supplementary capital	185,946,773
Total Capital Fund	2,528,768,835

Capital Adequacy Ratio :

11.75%

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 (Rs.)
Risk Weighted Exposure for Credit Risk	19,901,779,387
Risk Weighted Exposure for Operational Risk	783,085,624
Risk Weighted Exposure for Market Risk	82,173,207
Total Risk Weighted Exposures	20,767,038,218
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)	623,011,147
Add: 2% capital charge from NRB to risk weighted exposure for operational risk	127,854,608
Total Risk weighted Exposures (After bank's Adjustment of Pillar II)	21,517,903,973

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	72,000,000
c) Claims on banks	405,776,868
d) Claims on corporate & securities firms	12,287,084,165
e) Claims on regulatory retail portfolio	2,102,958,945
f) Claims secured by residential properties	343,550,844
g) Claims secured by commercial real state	414,047,880
h) Past due claims	280,910,708
i) High risk claims	1,470,098,364
j) Other assets	526,297,634
k) Off balance sheet items	1,999,053,980
Total Risk Weightage Assets	19,901,779,387

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

Particulars	Loan (Rs.)
Restructured and rescheduled loan	-
Sub-standard loan	174,757,740
Doubtful loans	100,504,843
Bad loan	68,513,011
Total	343,775,594
Provision For Loss(Non-Performing Loans Only)	162,454,868
Net Amount	181,320,727

NPA Ratio

Particulars	Ratio
Gross NPA to Gross Advances	1.86%
Net NPA to Net Advances	1.00%

Movement of Nonperforming Assets:

Particulars	This Quarter	Previous Year	Changes (%)
Non Performing Assets (Gross)	343,775,594	162,842,079	111.11%
Non Performing Assets (Net of Provisions)	181,320,727	66,435,642	172.93%

Write off of loans and interest Suspense during the Period :

NIL

Movements in Loan Loss Provisions and interest suspense

Particulars	This Quarter	Previous Year	Changes (%)
Loan Loss Provision	348,061,360	254,630,511	36.69%
Interest Suspense	52,948,966	26,200,509	102.09%

Details of additional Loan Loss Provision:

Particulars	This Year
1. a. Pass	19,425,585
1. b. WatchList	7,746,833
2. Restructured	-
3. Substandard	39,939,435
4. Doubtful	(4,933,220)
5. Loss	52,042,217
6. Provision of Non Banking Assets	-
Total Loan Loss Provision	114,220,849

Segregation of Investment Portfolio:

Particulars	This Year
Held for Trading	10,409,040.00
Held to Maturity	2,258,868,877
Available for Sale	31,302,600
Total Investments	2,300,580,517

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	194,480,592
Deposits with other Banks / FI	-
Gold	334,851,595
Govt. & NRB Securities	-
Sec/ G ^{tee} of Other Sovereigns	-
Total	529,332,187

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.