

Disclosure under Capital Adequacy Framework  
As at Ashadh 2073

1. Capital Structure and Capital Adequacy

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Tier 1 Capital and breakdowns of its Components

Particulars	Amount (Rs.)
Paid Up Capital	2,060,000,000
General Reserve	100,629,627
Retained Earning	476,460,811
Other Free Reserve	13,711,274
Less: Fictitious Assets	-
Less: Deferred Tax Assets	(13,711,274)
Less: Investment in equity of institutions with financial interests	(15,000,000)
Less: Loans & Facilities extended to related parties and restricted lending	-
<b>Core Capital</b>	<b>2,622,090,439</b>

Tier 2 Capital and breakdowns of its Components

Particulars	Amount (Rs.)
General Loan Loss Provision	224,015,910
Exchange Fluctuation Reserve	3,125,662
Investment Adjustment Reserve	29,000,000
<b>Supplementary Capital</b>	<b>256,141,573</b>

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	2,622,090,439
Supplementary capital	256,141,573
<b>Total Capital Fund</b>	<b>2,878,232,011</b>

Capital Adequacy Ratio :

12.38%

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

- Periodic supervision by the top management.
- 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:

- 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	21,319,486,615
Risk Weighted Exposure for Operational Risk	1,003,482,452
Risk Weighted Exposure for Market Risk	100,798,928
<b>Total Risk Weighted Exposures</b>	<b>22,423,767,995</b>
<b>Adjustments under Pillar II</b>	
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)	672,713,040
Add: 2% capital charge from NRB to risk weighted exposure for operational risk	157,511,514
<b>Total Risk weighted Exposures (After bank's Adjustment of Pillar II)</b>	<b>23,253,992,549</b>

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	200,000,000
c) Claims on banks	734,510,850
d) Claims on corporate & securities firms	12,773,748,197
e) Claims on regulatory retail portfolio	3,292,272,074
f) Claims secured by residential properties	399,913,726
g) Claims secured by commercial real state	338,239,252
h) Past due claims	271,482,985
i) High risk claims	1,092,008,333
j) Other assets	629,170,148
k) Off balance sheet items	1,588,141,050
<b>Total Risk Weightage Assets</b>	<b>21,319,486,615</b>

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

Particulars	Loan (Rs.)
Restructured and rescheduled loan	-
Sub-standard loan	11,146,600
Doubtful loans	28,784,965
Bad loan	147,412,013
<b>Total</b>	<b>187,343,577</b>
Provision For Loss(Non-Performing Loans Only)	164,591,145
<b>Net Amount</b>	<b>22,752,432</b>

NPA Ratio

Particulars	Ratio
Gross NPA to Gross Advances	0.92%
Net NPA to Net Advances	0.11%

Movement of Nonperforming Assets:

Particulars	This Year	Previous Year	Changes (%)
Non Performing Assets (Gross)	187,343,577	343,775,594	-45.50%
Non Performing Assets (Net of Provisions)	22,752,432	181,320,727	-87.45%

Write off of loans and interest Suspense during the Period :

1,140,480.35

**Movements in Loan Loss Provisions and interest suspense**

Particulars	This Year	Previous Year	Changes (%)
Loan Loss Provision	388,607,055	348,061,360	11.65%
Interest Suspense	68,971,632	52,948,966	30.26%

**Details of additional Loan Loss Provision:**

Particulars	This Year
1. a. Pass	21,257,410
1. b. WatchList	17,152,008
2. Restructured	-
3. Substandard	(40,902,785)
4. Doubtful	(35,859,939)
5. Loss	78,899,002
6. Provision of Non Banking Assets	-
<b>Total Loan Loss Provision</b>	<b>40,545,696</b>

**Segregation of Investment Portfolio:**

Particulars	This Year
Held for Trading	10,975,680.00
Held to Maturity	3,233,675,135
Available for Sale	31,302,600
<b>Total Investments</b>	<b>3,275,953,415</b>

### 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	168,884,695
Deposits with other Banks / FI	-
Gold	121,758,904
Govt. & NRB Securities	41,000,000
Sec/ G'tee of Other Sovereigns	-
<b>Total</b>	<b>331,643,600</b>

**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.