

**Disclosure under Capital Adequacy Framework
As at Ashwin 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	100,629,627
Retained Earning	208,663,871
Other Free Reserve	13,711,273
Less: Fictitious Assets	-
Less: Deferred Tax Assets	(13,711,273)
Less: Investment in equity of institutions with financial interests	(15,000,000)
Less: Loans & Facilities extended to related parties and restricted lending	-
Core Capital	2,354,293,498

Tier 2 Capital and breakdowns of its Components

Particulars	Amount (Rs.)
General Loan Loss Provision	202,978,765
Exchange Fluctuation Reserve	3,125,662
Investment Adjustment Reserve	29,000,000
Supplementary Capital	235,104,427

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	2,354,293,498
Supplementary capital	235,104,427
Total Capital Fund	2,589,397,925

Capital Adequacy Ratio :

11.58%

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	20,493,198,617
Risk Weighted Exposure for Operational Risk	1,003,482,452
Risk Weighted Exposure for Market Risk	66,106,760
Total Risk Weighted Exposures	21,562,787,829
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)	646,883,635
Add: 2% capital charge from NRB to risk weighted exposure for operational risk	157,511,514
Total Risk weighted Exposures (After bank's Adjustment of Pillar II)	22,367,182,979

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	174,000,000
c) Claims on banks	574,252,229
d) Claims on corporate & securities firms	12,955,133,169
e) Claims on regulatory retail portfolio	2,262,186,288
f) Claims secured by residential properties	359,549,132
g) Claims secured by commercial real state	403,129,844
h) Past due claims	258,160,424
i) High risk claims	1,490,128,899
j) Other assets	430,298,912
k) Off balance sheet items	1,586,359,719
Total Risk Weightage Assets	20,493,198,617

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

Particulars	Loan (Rs.)
Restructured and rescheduled loan	-
Sub-standard loan	23,241,415
Doubtful loans	15,583,439
Bad loan	153,082,767
Total	191,907,620
Provision For Loss(Non-Performing Loans Only)	166,684,840
Net Amount	25,222,780

NPA Ratio

Particulars	Ratio
Gross NPA to Gross Advances	0.98%
Net NPA to Net Advances	0.13%

Movement of Nonperforming Assets:

Particulars	This Quarter	Previous Quarter	Changes (%)
Non Performing Assets (Gross)	191,907,620	343,775,594	-44.18%
Non Performing Assets (Net of Provisions)	25,222,780	181,320,727	-86.09%

Write off of loans and interest Suspense during the Period :

NIL

Movements in Loan Loss Provisions and interest suspense

Particulars	This Quarter	Previous Quarter	Changes (%)
Loan Loss Provision	369,663,605	348,061,360	6.21%
Interest Suspense	58,713,304	52,948,966	10.89%

Details of additional Loan Loss Provision:

Particulars	This Year
1. a. Pass	8,063,814
1. b. WatchList	9,308,459
2. Restructured	-
3. Substandard	(37,879,081)
4. Doubtful	(42,460,702)
5. Loss	84,569,756
6. Provision of Non Banking Assets	-
Total Loan Loss Provision	21,602,246

Segregation of Investment Portfolio:

Particulars	This Year
Held for Trading	10,161,850.00
Held to Maturity	2,644,768,151
Available for Sale	31,302,600
Total Investments	2,686,232,601

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	195,137,961
Deposits with other Banks / FI	-
Gold	272,364,939
Govt. & NRB Securities	-
Sec/ G'tee of Other Sovereigns	-
Total	467,502,900

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.