

**Disclosure under Capital Adequacy Framework
As at Ashwin 2071**

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	97,467,250
Deferred Tax Reserve	12,776
Less: Fictitious Assets	(535,872)
Less: Investment in equity of institutions with financial interests	(15,000,000)
Less: Loans & Facilities extended to related parties and restricted lending	-
Core Capital	2,212,503,920

Tier 2 Capital and breakdowns of its Components

Particulars	Amount (Rs.)
General Loan Loss Provision	170,649,348
Exchange Fluctuation Reserve	110,281
Investment Adjustment Reserve	440,000
Supplementary Capital	171,199,629

Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, amount raised

We have no such subordinated term debt.

Deductions from capital

Particulars	Amount (Rs.)
Premium on development Bond	535,872
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	2,212,503,920
Supplementary capital	171,199,629
Total Capital Fund	2,383,703,549

Capital Adequacy Ratio :

12.09%

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

- 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

- 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	18,203,145,932
Risk Weighted Exposure for Operational Risk	783,085,624
Risk Weighted Exposure for Market Risk	32,938,433
Total Risk Weighted Exposures	19,019,169,990
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)	570,575,100
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)	19,717,599,698

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	331,500,000
c) Claims on banks	319,655,375
d) Claims on corporate & securities firms	12,376,980,150
e) Claims on regulatory retail portfolio	1,530,201,075
f) Claims secured by residential properties	223,608,434
g) Claims secured by commercial real state	441,551,123
h) Past due claims	135,356,561
i) High risk claims	1,061,152,595
j) Other assets	404,108,699
k) Off balance sheet items	1,379,031,919
Total Risk Weightage Assets	18,203,145,932

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

Particulars	Loan (Rs.)
Restructured and rescheduled loan	-
Sub-standard loan	26,991,743
Doubtful loans	69,195,928
Bad loan	90,443,769
Total	186,631,440
Provision For Loss(Non-Performing Loans Only)	131,789,668
Net Amount	54,841,771

NPA Ratio

Particulars	Ratio
Gross NPA to Gross Advances	1.08%
Net NPA to Net Advances	0.32%

Movement of Nonperforming Assets:

Particulars	This Quarter	Previous Qtr (Audited)	Changes (%)
Non Performing Assets (Gross)	186,631,440	162,842,079	14.61%
Non Performing Assets (Net)	54,841,771	66,435,642	-17.45%

Write off of loans and interest Suspense during the Period :

NIL

Movements in Loan Loss Provisions and interest suspense

Particulars	This Quarter	Previous Qtr (Audited)	Changes (%)
Loan Loss Provision	302,439,017	254,630,511	18.78%
Interest Suspense	43,752,428	26,200,509	66.99%

Details of additional Loan Loss Provision:

Particulars	This Quarter (Rs.)
1. Pass	12,425,274
2. Restructured	-
3. Substandard	2,997,936
4. Doubtful	(20,587,678)
5. Loss	52,972,974
6. Provision of Non Banking Assets	-
Total Loan Loss Provision	47,808,506

Segregation of Investment Portfolio:

Particulars	This Quarter (Rs.)
Held for Trading	-
Held to Maturity	1,898,407,340
Available for Sale	24,302,600
Total Investments	1,922,709,940

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 and 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 (Rs.)
Deposits with Bank	160,547,429
Deposits with other Banks / FI	-
Gold	404,073,607
Govt. & NRB Securities	-
Sec/ G'tee of Other Sovereigns	-
Total	564,621,036

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 and NRB on quarterly basis.