

**Disclosure under Capital Adequacy Framework
As at Chaitra 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	210,745,308
Deferred Tax Reserve	12,776
Less: Fictitious Assets	(24,618)
Less: Investment in equity of institutions with financial interests	(15,000,000)
Less: Loans & Facilities extended to related parties and restricted lending	-
Core Capital	2,326,293,232

Tier 2 Capital and breakdowns of its Components

Particulars	Amount (Rs.)
General Loan Loss Provision	190,293,068
Exchange Fluctuation Reserve	110,281
Investment Adjustment Reserve	440,000
Supplementary Capital	190,843,349

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	24,618
Loans & Facilities extended to related parties and restricted lending	0
Investment in equity of institutions with financial interests	15,000,000

Total qualifying Capital

Particulars	Amount (Rs.)
Core Capital	2,326,293,232
Supplementary capital	190,843,349
Total Capital Fund	2,517,136,581

Capital Adequacy Ratio :

11.55%

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	20,188,390,139
Risk Weighted Exposure for Operational Risk	783,085,624
Risk Weighted Exposure for Market Risk	64,178,227
Total Risk Weighted Exposures	21,035,653,991
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)	631,069,620
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)	21,794,578,219

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	15,000,000
c) Claims on banks	344,488,317
d) Claims on corporate & securities firms	13,040,617,547
e) Claims on regulatory retail portfolio	1,920,738,131
f) Claims secured by residential properties	317,014,840
g) Claims secured by commercial real state	422,222,824
h) Past due claims	276,886,451
i) High risk claims	1,547,401,308
j) Other assets	481,860,530
k) Off balance sheet items	1,822,160,191
Total Risk Weightage Assets	20,188,390,139

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

Particulars	Loan (Rs.)
Restructured and rescheduled loan	-
Sub-standard loan	21,713,662
Doubtful loans	127,301,179
Bad loan	56,805,886
Total	205,820,727
Provision For Loss(Non-Performing Loans Only)	125,884,891
Net Amount	79,935,836

NPA Ratio

Particulars	Ratio
Gross NPA to Gross Advances	1.09%
Net NPA to Net Advances	0.43%

Movement of Nonperforming Assets:

Particulars	This Quarter	Previous Qtr	Changes (%)
Non Performing Assets (Gross)	205,820,727	158,425,134	29.92%
Non Performing Assets (Net of Provisions)	79,935,836	74,793,765	6.87%

Write off of loans and interest Suspense during the Period :

NIL

Movements in Loan Loss Provisions and interest suspense

Particulars	This Quarter	Previous Qtr	Changes (%)
Loan Loss Provision	316,177,959	266,167,651	18.79%
Interest Suspense	37,190,353	32,347,994	14.97%

Details of additional Loan Loss Provision:

Particulars	This Quarter
1. a. Pass	(3,636,003)
1. b. WatchList	11,676,835
2. Restructured	-
3. Substandard	(24,644,560)
4. Doubtful	57,772,327
5. Loss	2,024,614
6. Provision of Non Banking Assets	-
Total Loan Loss Provision	43,193,212

Segregation of Investment Portfolio:

Particulars	This Quarter
Held for Trading	11,123,880.00
Held to Maturity	1,599,923,550
Available for Sale	31,302,600
Total Investments	1,642,350,030

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	204,509,223
Deposits with other Banks / FI	-
Gold	357,293,602
Govt. & NRB Securities	-
Sec/ G ^{tee} of Other Sovereigns	-
Total	561,802,825

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.