

## Disclosure Under Capital Adequacy Framework

### Disclosure under Capital Adequacy Framework As at Chaitra 2072

#### 1. Capital Structure and Capital Adequacy

##### Tier 1 Capital and breakdowns of its Component:

Particulars	Amount (Rs.)
Paid Up Capital	2,060,000,000
General Reserve	100,629,627
Retained Earning	377,742,431
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>2,523,372,058</b>

##### Tier 2 Capital and breakdowns of its Component:

Particulars	Amount (Rs.)
General Loan Loss Provision	200,438,045
Exchange Fluctuation Reserve	3,125,662
Investment Adjustment Reserve	29,000,000
<b>Supplementary Capital</b>	<b>232,563,708</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	2,523,372,058
Supplementary capital	232,563,708
<b>Total Capital Fund</b>	<b>2,755,935,766</b>

##### Capital Adequacy Ratio :

12.32%

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	20,484,999,743
Risk Weighted Exposure for Operational Risk	1,003,482,452
Risk Weighted Exposure for Market Risk	74,877,706
<b>Total Risk Weighted Exposures</b>	<b>21,563,359,902</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)	646,900,797
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>22,367,772,213</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	203,000,000
c) Claims on banks	593,609,261
d) Claims on corporate & securities firms	12,458,375,408
e) Claims on regulatory retail portfolio	2,823,644,849
f) Claims secured by residential properties	374,028,586
g) Claims secured by commercial real state	413,800,268
h) Past due claims	292,396,841
i) High risk claims	1,086,172,465
j) Other assets	559,151,235
k) Off balance sheet items	1,680,820,830
<b>Total Risk Weightage Assets</b>	<b>20,484,999,743</b>

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

Particulars	Loan (Rs.)
Restructured and rescheduled loan	-
Sub-standard loan	69,134,465
Doubtful loans	22,558,280
Bad loan	150,234,956
<b>Total</b>	<b>241,927,701</b>
Provision For Loss(Non-Performing Loans Only)	178,797,712
<b>Net Amount</b>	<b>63,129,989</b>

NPA Ratio

Particulars	Ratio
Gross NPA to Gross Advances	1.23%
Net NPA to Net Advances	0.33%

Movement of Nonperforming Assets:

Particulars	This Quarter	Previous Quarter	Changes (%)
Non Performing Assets (Gross)	241,927,701	255,183,444	-5.19%
Non Performing Assets (Net of Provisions)	63,129,989	62,552,453	0.92%

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	379,235,757	380,015,560	-0.21%
Interest Suspense	71,229,626	55,145,159	29.17%

**Details of additional Loan Loss Provision:**

Particulars	This Quarter
1. a. Pass	9,286,424
1. b. WatchList	3,617,053
2. Restructured	-
3. Substandard	13,513,744
4. Doubtful	(25,113,697)
5. Loss	(2,083,327)
6. Provision of Non Banking Assets	-
<b>Total Loan Loss Provision</b>	<b>(779,802)</b>

**Segregation of Investment Portfolio:**

Particulars	This Year
Held for Trading	11,179,930.00
Held to Maturity	2,564,106,983
Available for Sale	31,302,600
<b>Total Investments</b>	<b>2,606,589,513</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	207,023,653
Deposits with other Banks / FI	-
Gold	159,789,312
Govt. & NRB Securities	41,000,000
Sec/ G' tee of Other Sovereigns	-
<b>Total</b>	<b>407,812,965</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.