

Disclosure under Capital Adequacy Framework
As at Poush 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	289,135,566
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	-
Core Capital	2,434,765,194

Tier 2 Capital and breakdowns of its Component:

Particulars	Amount (Rs.)
General Loan Loss Provision	187,384,569
Exchange Fluctuation Reserve	3,125,662
Investment Adjustment Reserve	29,000,000
Supplementary Capital	219,510,231

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	2,434,765,194
Supplementary capital	219,510,231
Total Capital Fund	2,654,275,425

Capital Adequacy Ratio :

12.37%

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	19,498,904,319
Risk Weighted Exposure for Operational Risk	1,003,482,452
Risk Weighted Exposure for Market Risk	181,858,128
Total Risk Weighted Exposures	20,684,244,899
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)	620,527,347
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)	21,462,283,761

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	111,000,000
c) Claims on banks	771,813,610
d) Claims on corporate & securities firms	11,501,968,762
e) Claims on regulatory retail portfolio	2,575,191,138
f) Claims secured by residential properties	370,144,089
g) Claims secured by commercial real state	401,575,881
h) Past due claims	241,300,331
i) High risk claims	1,453,355,256
j) Other assets	500,047,413
k) Off balance sheet items	1,572,507,839
Total Risk Weightage Assets	19,498,904,319

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

Particulars	Loan (Rs.)
Restructured and rescheduled loan	-
Sub-standard loan	30,079,487
Doubtful loans	72,785,674
Bad loan	152,318,283
Total	255,183,444
Provision For Loss(Non-Performing Loans Only)	192,630,992
Net Amount	62,552,453

NPA Ratio

Particulars	Ratio
Gross NPA to Gross Advances	1.38%
Net NPA to Net Advances	0.35%

Movement of Nonperforming Assets:

Particulars	This Quarter	Previous Quarter	Changes (%)
Non Performing Assets (Gross)	255,183,444	191,907,620	32.97%
Non Performing Assets (Net of Provisions)	62,552,453	25,222,780	148.00%

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	380,015,560	369,663,605	2.80%
Interest Suspense	55,145,159	58,713,304	-6.08%

Details of additional Loan Loss Provision:

Particulars	This Year
1. a. Pass	(307,098)
1. b. WatchList	2,085,175
2. Restructured	-
3. Substandard	(39,769,563)
4. Doubtful	(13,859,585)
5. Loss	83,805,271
6. Provision of Non Banking Assets	-
Total Loan Loss Provision	31,954,200

Segregation of Investment Portfolio:

Particulars	This Year
Held for Trading	11,454,670.00
Held to Maturity	3,731,978,312
Available for Sale	31,302,600
Total Investments	3,774,735,582

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	175,884,929
Deposits with other Banks / FI	-
Gold	225,344,883
Govt. & NRB Securities	40,000,000
Sec/ G' tee of Other Sovereigns	-
Total	441,229,812

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.