

**Disclosure of Capital Adequacy (Basel II)
As on 16th October 2012 (30 Ashwin 2069)**

1. Capital Structure and Capital Adequacy

1.1 RISK WEIGHTED EXPOSURES		Current Month	Current Month
a	Risk Weighted Exposure for Credit Risk	17,773,446,239	17,831,640,099
b	Risk Weighted Exposure for Operational Risk	1,414,789,813	1,414,789,813
c	Risk Weighted Exposure for Market Risk	53,155,063	23,854,965
Adjustment under Pillar II			
	Add: 3% of the total RWE due to noncompliance of Disclosure Requirement (6.4 a10)	-	-
	Add: 1% of the total deposit due to insufficient Liquid Assets (6.4 a6)	-	-
	Add: 1% of the total Risk Weighted exposure as per NRB inspection	192,413,911.14	192,702,849
Total Risk Weighted Exposures (a+b+c)		19,433,805,025	19,462,987,726
1.2 CAPITAL Current Period Previous Period		Current Period	Current Period
Core Capital (Tier 1)		2,169,741,523	2,143,111,772
a	Paid up Equity Share Capital	1,311,552,000	1,311,552,000
b	Irredeemable Non-cumulative preference shares	-	-
c	Proposed Bonus Equity Shares	-	-
d	Share Premium	41,873,580	41,873,580
e	Statutory General Reserves	488,035,811	488,035,811
f	Retained Earnings	30,877,384	30,877,384
g	Un-audited current year cumulative profit	124,558,045	98,009,359
h	Bond Redemption Reserve	162,191,781	162,191,781
i	Deffered Tax Reserve	12,539,868	12,539,868
j	Capital Adjustment Reserve	-	-
k	Dividend Equalization Reserves	-	-
l	Other Free Reserve	-	-
m	Less: Goodwill	-	-
n	Less: Fictitious Assets	1,886,946	1,968,010
o	Less: Investment in equity in licensed Financial Institutions	-	-
p	Less: Investment in equity of institutions with financial interests	-	-
q	Less: Investment in equity of institutions in excess of limits	-	-
r	Less: Investments arising out of underwriting commitments	-	-
s	Less: Reciprocal crossholdings	-	-
t	Less: Other Deductions	-	-
Adjustment under Pillar II			
	Less: Shortfall in Provisions (6.4 a 1)	-	-
	Less: Loans and Facilities extended to Related Parties and Restricted Lending (6.4 a 2)	-	-
Supplementary Capital (Tier 2)		208,403,961	226,920,965
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	37,808,219	37,808,219
c	Hybrid Capital Instruments	-	-
d	General loan loss provision	155,429,441	173,946,444
e	Exchange Equalization Reserve	14,661,681	14,661,681
f	Investment Adjustment Reserve	504,620	504,620
g	Assets Revaluation Reserve	-	-
h	Other Reserves	-	-
Total Capital Fund (Tier I and Tier II)		2,378,145,484	2,370,032,737
1.3 CAPITAL ADEQUACY RATIOS		Current Period	Current Period
Tier 1 Capital to Total Risk Weighted Exposures (after adjustment of P-2)		11.16%	11.01%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (after adjustment of P-2)		12.24%	12.18%
Minimum Capital fund required to be maintained on the basis of Risk Weighted Assets			
	Capital Fund (@ 10 Percent for this year)	1,943,380,503	1,946,298,773
	Core Capital (@ 6 Percent for this year)	1,166,028,302	1,167,779,264
5.16%	Excess to Core Capital	1,003,713,221	975,332,508
2.24%	Excess to Capital Fund	434,764,982	423,733,964

Detail information of Subordinated Term Debts:

NIC Bond 2070

Face Value	:	Rs 1,000 each,
Total Value	:	Rs 200 Million
Issue date	:	26 June 2006
Maturity date	:	25 th June 2013

Redemption Reserve

For FY 2068/69	:	Rs 40,000,000
For FY 2067/68	:	Rs 40,000,000
For FY 2066/67	:	Rs 40,000,000
For FY 2065/66	:	Rs 40,000,000
For FY 2064/65	:	<u>Rs 2,191,781</u>
Total		Rs 162,191,781

2. Risk Exposure

Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

NPR in 000'

Risk weighted Exposures	Current Month
a. Risk Weighted Exposure for Credit Risk	17,773,446
b. Risk Weighted Exposure for Operational Risk	1,414,790
c. Risk Weighted Exposure for Market Risk	53,155
d. Additional Risk Weighted Exposure due to insufficient Liquid Assets	192,414
Total Risk Weighted Exposures (a + b + c)	19,433,805

Risk Weighted Exposures under each of 11 Categories of Credit Risk

NPR in 000'

Particulars	Current Month
Claims on Government and Central Bank	-
Claims on Other Official Entities	-
Claims on Banks	417,687
Claims on Corporate and securities firms	7,985,814
Claims on regulatory retail Portfolio	3,075,250
Claims secured by Residential Properties	977,751
Claims secured by Commercial real estate	161,284
Past due Claims	90,522
High Risk Claims	1,578,954
Other Assets	1,280,646
Off Balance- Sheet Items	2,205,537
Total	17,773,446

Non Performing Assets

NPR in '000

Particulars	NPR in '000	
	Gross NPAs	Net NPAs
Restructured / Reschedule Loans		
Sub Standard Loans	53,015	39,761
Doubtful Loans	44,892	22,446
Loss	95,629	-
Total NPAs	193,536	62,207

Ratio of Non Performing Asset

Particulars	
Gross NPA to gross advances	1.23 %
Net NPA to net advances	0.40 %

Movement of Non performing Assets

NPR in 000'

Particulars	
Opening NPA	187,962
Addition during the Quarter	5,574
NPA recovery during the Quarter	
Closing NPA	193,536

Write off Loan and Interest Suspense:

NPR in 000'

Particulars	
Write off Loan	-
Write off Interest	-

Movements in LLP and Interest Suspense:

NPR in 000'

Particulars	
Movements in Interest Suspense	6,659
Additional LLP during Three Months	5,873

Segregation of Investment Portfolio

NPR in '000'

Particulars	Current Quarter	Previous Quarter
Held for Trading	-	-
Held for Maturity	4,594,945	4,703,702
Available for Sale	30,543	30,543

Summary of Bank's Internal Approach to assess Capital Adequacy

As per capital plan of the Bank, the requirement of capital fund is intended to be fulfilled by incremental annual transfer of profits. The bank shall grow its size gradually and steadily keeping in mind the capital requirements to support the business growth and maintaining robust standards of risk management of processes.