

**Disclosure of Capital Adequacy (Basel II)**  
**As on 12<sup>th</sup> April 2012 (30 Chaitra 2068)**

**1. Capital Structure and Capital Adequacy**

<b>1. 1 RISK WEIGHTED EXPOSURES</b>		<b>Current Month</b>	<b>Previous Month</b>
a	Risk Weighted Exposure for Credit Risk	17,776,687,768	17,314,295,038
b	Risk Weighted Exposure for Operational Risk	1,414,789,813	1,414,789,813
c	Risk Weighted Exposure for Market Risk	72,500,197	43,777,801
<b>Adjustment under Pillar II</b>			
	Add: 3% of the total RWE due to non compliance 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	192,639,777.77	187,728,627
<b>Total Risk Weighted Exposures (a+b+c)</b>		<b>19,456,617,555</b>	<b>18,960,591,278</b>
<b>1.2 CAPITAL Current Period Previous Period</b>		<b>Current Period</b>	<b>Previous Period</b>
<b>Core Capital (Tier 1)</b>		<b>2,220,439,439</b>	<b>2,190,131,553</b>
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	409,679,955	409,679,955
f	Retained Earnings	68,169,100	68,169,100
g	Un-audited current year cumulative profit	263,554,559	233,327,738
h	Bond Redemption Reserve	122,191,781	122,191,781
i	Deffered Tax Reserve	5,791,799	5,791,799
j	Capital Adjustment Reserve	-	-
k	Dividend Equalization Reserves	-	-
l	Other Free Reserve	-	-
m	Less: Goodwill	-	-
n	Less: Miscellaneous Expenditure not written off	2,373,335	2,454,400
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	-	-
<b>Adjustment under Pillar II</b>			
	Less: Shortfall in Provisions ( 6.4 a 1)	-	-
	Less: Loans and Facilities extended to Related Parties and Restricted Lending (6.4 a 2)	-	-
<b>Supplementary Capital (Tier 2)</b>		<b>276,811,214</b>	<b>267,808,838</b>
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	77,808,219	77,808,219
c	Hybrid Capital Instruments	-	-
d	General loan loss provision	159,915,766	150,913,390
e	Exchange Equalization Reserve	13,856,229	13,856,229
f	Investment Adjustment Reserve	25,231,000	25,231,000
g	Assets Revaluation Reserve	-	-
h	Other Reserves	-	-
<b>Total Capital Fund (Tier I and Tier II)</b>		<b>2,497,250,652</b>	<b>2,457,940,391</b>
<b>1.3 CAPITAL ADEQUACY RATIOS</b>		<b>Current Period</b>	<b>Previous Period</b>
Tier 1 Capital to Total Risk Weighted Exposures		11.41%	11.55%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures		12.83%	12.96%
<b>Minimum Capital fund required to be maintained on the basis of Risk Weighted Assets</b>			
	Capital Fund (@ 10 Percent for this year)	<b>1,945,661,756</b>	<b>1,896,059,128</b>
	Core Capital (@ 6 Percent for this year)	<b>1,167,397,053</b>	<b>1,137,635,477</b>
5.41%	<b>Excess to Core Capital</b>	<b>1,053,042,385</b>	<b>1,052,496,076</b>
2.83%	<b>Excess to Capital Fund</b>	<b>551,588,897</b>	<b>561,881,263</b>

## 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 <sup>th</sup> June 2013

#### **Redemption Reserve**

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>
<b>Total</b>		<b>Rs 122,191,781</b>

## 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	17,776,688
b. Risk Weighted Exposure for Operational Risk	1,414,790
c. Risk Weighted Exposure for Market Risk	72,500
d. Additional Risk Weighted Exposure due to insufficient Liquid Assets	192,640
<b>Total Risk Weighted Exposures (a + b + c)</b>	<b>19,456,618</b>

### 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	16,200
Claims on Banks	374,223
Claims on Corporate and securities firms	9,319,851
Claims on regulatory retail Portfolio	2,492,678
Claims secured by Residential Properties	821,065
Claims secured by Commercial real estate	155,932
Past due Claims	35,473
High Risk Claims	1,505,494
Other Assets	1,076,297
Off Balance- Sheet Items	1,979,474
<b>Total</b>	<b>17,776,688</b>

## Non Performing Assets

NPR in '000

Particulars	NPR in '000	
	Gross NPAs	Net NPAs
Restructured / Reschedule Loans		
Sub Standard Loans	17,085	12,814
Doubtful Loans	24,848	12,424
Loss	146,029	-
<b>Total NPAs</b>	<b>187,962</b>	<b>25,238</b>

## Ratio of Non Performing Asset

Particulars	
Gross NPA to gross advances	1.16 %
Net NPA to net advances	0.16 %

## Movement of Non performing Assets

Particulars	NPR in 000'
Opening NPA	231,535
Addition during the Quarter	
NPA recovery during the Quarter	43,573
Closing NPA	187,962

## Write off Loan and Interest Suspense:

Particulars	NPR in 000'
Write off Loan	-
Write off Interest	-

## Movements in LLP and Interest Suspense:

Particulars	NPR in 000'
Movements in Interest Suspense	2,814
Additional LLP during Three Months	3,981

## Segregation of Investment Portfolio

EW

Particulars	Current Quarter	Previous Quarter
Held for Trading	-	-
Held for Maturity	4,703,702	4,544,771
Available for Sale	30,543	30,167

## 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.