

**Disclosure of Capital Adequacy (Basel II)
As on 13th January 2013 (29 Poush 2069)**

1. Capital Structure and Capital Adequacy

1. 1 RISK WEIGHTED EXPOSURES		Current Month	Previous Month
a	Risk Weighted Exposure for Credit Risk	19,544,427,196	18,464,007,647
b	Risk Weighted Exposure for Operational Risk	1,604,263,388	1,604,263,388
c	Risk Weighted Exposure for Market Risk	54,544,869	68,466,363
Adjustment under Pillar II			
	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	212,032,355	201,367,374
Total Risk Weighted Exposures (a+b+c)		21,415,267,809	20,338,104,773
1.2 CAPITAL Current Period Previous Period		Current Period	Previous Period
Core Capital (Tier 1)		2,283,501,410	2,255,795,982
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	238,113,487	210,450,374
h	Bond Redemption Reserve	162,191,781	162,191,781
i	Defferred 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	1,682,501	1,724,815
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)		232,383,578	208,403,961
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	179,409,057	155,429,441
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)		2,515,884,988	2,464,199,944
1.3 CAPITAL ADEQUACY RATIOS		Current Period	Previous Period
Tier 1 Capital to Total Risk Weighted Exposures (after adjustment of P-2)		10.66%	11.09%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (after adjustment of P-2)		11.75%	12.12%
Minimum Capital fund required to be maintained on the basis of Risk Weighted Assets			
	Capital Fund (@ 10 Percent for this year)	2,141,526,781	2,033,810,477
	Core Capital (@ 6 Percent for this year)	1,284,916,069	1,220,286,286
4.66%	Excess to Core Capital	998,585,342	1,035,509,696
1.75%	Excess to Capital Fund	374,358,207	430,389,466

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	19,544,427
b. Risk Weighted Exposure for Operational Risk	1,604,263
c. Risk Weighted Exposure for Market Risk	54,545
d. Additional Risk Weighted Exposure due to insufficient Liquid Assets	212,032
Total Risk Weighted Exposures (a + b + c)	21,415,268

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	509,160
Claims on Banks	381,455
Claims on Corporate and securities firms	9,483,682
Claims on regulatory retail Portfolio	3,382,066
Claims secured by Residential Properties	1,155,975
Claims secured by Commercial real estate	129,086
Past due Claims	116,311
High Risk Claims	1,631,050
Other Assets	909,877
Off Balance- Sheet Items	1,845,765
Total	19,544,427

Non Performing Assets

NPR in '000

Particulars	NPR in '000	
	Gross NPAs	Net NPAs
Restructured / Reschedule Loans		
Sub Standard Loans	68,666	51,499
Doubtful Loans	55,962	27,981
Loss	92,994	
Total NPAs	217,622	79,480

Ratio of Non Performing Asset

Particulars	
Gross NPA to gross advances	1.20 %
Net NPA to net advances	0.45 %

Movement of Non performing Assets

NPR in 000'

Particulars	
Opening NPA	193,536
Addition during the Quarter	51,922
NPA recovery during the Quarter	27,836
Closing NPA	217,622

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	497
Additional LLP during Three Months	30,792

Segregation of Investment Portfolio

NPR in '000'

Particulars	Current Quarter	Previous Quarter
Held for Trading	-	-
Held for Maturity	4,056,847	4,594,945
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.