

Disclosure under Capital Adequacy Framework 2007
As at Poush end 2071 of the Fiscal Year 2071/72 (Mid January of 2015)

Rs. in '000

1 Capital structure and capital adequacy

| Core Capital (Tier I) | | Amount |
|---------------------------|--|------------------|
| a | Paid up equity Share Capital | 6,465,002 |
| b | Proposed Bonus Equity Shares | - |
| c | Irredeemable Non-cumulative preference shares | - |
| d | Share Premium | 90,552 |
| e | Statutory General Reserves | 1,820,705 |
| f | Retained Earnings | (5,900,646) |
| g | Un-audited current year cumulative profit | 387,462 |
| h | Capital Redemption Reserve | - |
| i | Capital Adjustment Reserve | 380,383 |
| j | Dividend Equalization Reserve | 7,486 |
| k | Special Reserve | 22,246 |
| l | Deferred Tax Reserve | 93,520 |
| m | Capital Reserve (created for loan waived as per Nepal Govt. Direction) | 259,736 |
| n | Other Free Reserves | 6,063 |
| Total Core Capital | | 3,632,507 |

| Supplementary Capital (Tier II) | | Amount |
|------------------------------------|---|----------------|
| a | Cumulative and/or Redeemable Preference Share | - |
| b | Subordinated Term Debt | - |
| c | Hybrid Capital Instruments | - |
| d | General loan loss provision | 429,145 |
| e | Investment Adjustment Reserve | 17,594 |
| f | Assets Revaluation Reserve | - |
| g | Exchange Equalization Reserve | 84,449 |
| h | Other Reserves | - |
| Total Supplementary Capital | | 531,188 |

Details of Subordinated Term Debt:

Not Applicable

Deduction from Capital

The Bank holds net Investment in shares amounting to Rs. 191,337 thousand.

Total Capital Fund

| Particulars | Amount |
|--|------------------|
| Core Capital (Tier 1) (after deduction of qualifying amount) | 3,441,170 |
| Supplementary Capital (Tier 2) | 531,188 |
| Total Capital Fund | 3,972,358 |

Capital Adequacy Ratio:

4.78%

2 Risk weighted exposures for Credit, Market and Operational Risk

| Risk Weighted Exposures | Amount |
|---|-------------------|
| Risk Weighted Exposure for Credit Risk | 72,436,976 |
| Risk Weighted Exposure for Operational Risk | 4,679,817 |
| Risk Weighted Exposure for Market Risk | 1,333,391 |
| Total Risk Weighted Exposures | 78,450,184 |
| Supervisor's adjustment (addition) | |
| 1 % of Net Interest Income on market risk (due to poor assets-liabilities management) | 28,236 |
| 4 % of Gross Income on Operational risk (due to weak operational risk management) | 1,435,482 |
| 4 % of Risk Weighted Exposure (Supervisor's addition due to poor risk management) | 3,138,007 |
| Total Risk Weighted Exposures (after supervisor's adjustment) | 83,051,909 |

Risk weighted exposures under each 11 categories of Credit Risk

| S. N. | Categories | Risk Weighted Exposure |
|-------|--|------------------------|
| 1 | Claims on Government and Central Bank | - |
| 2 | Claims on Other Financial Entities | - |
| 3 | Claims on Banks | 1,065,674 |
| 4 | Claims on Domestic Corporates and Securities Firms | - |
| 5 | Claims on Regulatory Retail Portfolio | - |
| 6 | Claims secured by residential properties | 4,612,751 |
| 7 | Claims Secured by Commercial real estate | - |
| 8 | Past due claims | - |
| 9 | High Risk claims | 55,920,464 |
| 10 | Other Assets | 6,942,563 |
| 11 | Off Balance Sheet Items | 3,895,524 |
| Total | | 72,436,976 |

Amount of Non Performing Assets (both Gross and Net)

| Particulars | Amount | | |
|-----------------------|-----------|-----------|---------|
| | Gross | Provision | Net |
| Bass B (Restructured) | 39,598 | 4,950 | 34,648 |
| Substandard | 184,234 | 46,059 | 138,176 |
| Doubtful | 132,736 | 66,368 | 66,368 |
| Bad | 1,723,802 | 1,723,802 | - |
| Total | 2,080,370 | 1,841,178 | 239,192 |

NPA Ratios

| | |
|-----------------------------|-------|
| Gross NPA to Gross Advances | 4.62% |
| Net NPA to Net Advances | 0.56% |

Movement in Non Performing Assets

| Particulars | This Quarter | Previous Quarter | Changes % |
|------------------------------------|--------------|------------------|-----------|
| Non Performing Assets (Rs. in 000) | 2,080,370 | 2,015,594 | 3.11% |
| Non Performing Assets (%) | 4.62% | 4.78% | -0.16% |

Write off of Loans and Interest Suspense in the Quarter

| Particulars | Amount |
|--------------------------------|--------|
| Write off Loans | - |
| Write off of Interest Suspense | - |

Movement in Loan Loss Provision and Interest Suspense:

| Particulars | This Quarter | Previous Quarter | Changes % |
|---------------------|--------------|------------------|-----------|
| Loan Loss Provision | 2,270,324 | 2,120,762 | 6.6% |
| Interest Suspense | 3,693,370 | 3,696,388 | -0.1% |

Details of Additional Loan Loss Provision

None

Segregation of Investment Portfolio

| Particulars | Amount |
|--------------------|------------|
| Held for Trading | - |
| Held to Maturity | 15,326,011 |
| Available for sale | 191,337 |
| Total | 15,517,348 |