

# Disclosure of Capital Adequacy (Basel II)

## As on 15 July 2009 (31 Ashad 2066)

### 1. Capital Structure and Capital Adequacy

		In NPR	
<b>1.1 RISK WEIGHTED EXPOSURES</b>		<b>Current Year</b>	<b>Previous Year</b>
a	Risk Weighted Exposure for Credit Risk	15,021,347,498	12,394,860,444
b	Risk Weighted Exposure for Operational Risk	647,081,764	514,981,500
c	Risk Weighted Exposure for Market Risk	73,184,667	88,667,099
<b>Total Risk Weighted Exposures (a+b+c)</b>		<b>15,741,613,929</b>	<b>12,998,509,043</b>
<b>1.2 CAPITAL</b>		<b>Current Year</b>	<b>Previous Year</b>
<b>Core Capital (Tier 1)</b>		<b>1,649,007,425</b>	<b>1,293,750,758</b>
a	Paid up Equity Share Capital	1,140,480,000	943,877,100
b	Irredeemable Non-cumulative preference shares		
c	Proposed Bonus Equity Shares	171,072,000	190,080,000
d	Share Premium	41,873,580	-
e	Statutory General Reserves	220,570,480	157,083,652
f	Retained Earnings	30,557,473	1,627,084
g	Un-audited current year cumulative profit	-	-
h	Bond Redemption Reserve	42,191,781	2,191,781
i	Deferred Tax Reserve	3,100,041	-
j	Capital Adjustment Reserve	-	-
k	Dividend Equalization Reserves	-	-
l	Other Free Reserve	-	-
m	Less: Goodwill	-	-
n	Less: Miscellaneous Expenditure not written off	837,930	1,108,859
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>Supplementary Capital (Tier 2)</b>		<b>305,927,368</b>	<b>319,880,079</b>
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	157,808,219	197,808,219
c	Hybrid Capital Instruments	-	-
d	General loan loss provision	137,710,775	113,504,578
e	Exchange Equalization Reserve	10,408,374	8,567,282
f	Investment Adjustment Reserve	-	-
g	Assets Revaluation Reserve		
h	Other Reserves	-	-
<b>Total Capital Fund (Tier I and Tier II)</b>		<b>1,954,934,793</b>	<b>1,613,630,837</b>
<b>1.3 CAPITAL ADEQUACY RATIOS</b>		<b>Current Period</b>	<b>Previous Period</b>
Tier 1 Capital to Total Risk Weighted Exposures		10.48%	9.95%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures		12.42%	12.41%
<b>Minimum Capital fund required to be maintained on the basis of Risk Weighted Assets</b>			
	Capital Fund (@ 10 Percent for this year)	<b>1,574,161,393</b>	<b>1,299,850,904</b>
	Core Capital (@ 6 Percent for this year)	<b>944,496,836</b>	<b>779,910,543</b>
<b>4.48%</b>	<b>Excess to Core Capital</b>	<b>704,510,589</b>	<b>513,840,216</b>
<b>2.42%</b>	<b>Excess to Capital Fund</b>	<b>380,773,400</b>	<b>313,779,933</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 2065/66	:	Rs 40,000,000
For FY 2064/65	:	<u>Rs 2,191,781</u>
<b>Total</b>		<b>Rs 42,191,781</b>

## 2. Risk Exposure

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

NPR in 000'

<b>Risk weighted Exposures</b>	<b>Current Year</b>	<b>Previous Year</b>
a. Risk Weighted Exposure for Credit Risk	15,021,347	12,394,860
b. Risk Weighted Exposure for Operational Risk	647,082	514,982
c. Risk Weighted Exposure for Market Risk	73,185	88,667
<b>Total Risk Weighted Exposures (a + b + c)</b>	<b>15,741,614</b>	<b>12,998,509</b>

### Risk Weighted Exposures under each of 11 Categories of Credit Risk

NPR in 000'

<b>Particulars</b>	<b>Current Year</b>	<b>Previous Year</b>
Claims on Government and Central Bank	-	-
Claims on Other Official Entities	-	-
Claims on Banks	229,724	582,459
Claims on Corporate and securities firms	7,014,770	4,846,999
Claims on regulatory retail Portfolio	1,603,290	510,311
Claims secured by Residential Properties	1,352,337	3,184,278
Claims secured by Commercial real estate	473,047	378,611
Past due Claims	107,012	390,167
High Risk Claims	2,457,536	1,062,369
Other Assets	449,519	273,830
Off Balance- Sheet Items	1,334,112	1,165,836
<b>Total</b>	<b>15,021,347</b>	<b>12,394,860</b>

## Non Performing Assets

NPR in '000

Particulars	Current Year		Previous Year	
	Gross NPAs	Net NPAs	Gross NPAs	Net NPAs
Restructured / Reschedule Loans	15,594	13,645	16,709	14,620
Sub Standard Loans	2,422	1,817	9,632	7,224
Doubtful Loans	61,131	30,566	11,760	5,880
Loss	65,625	-	76,774	-
<b>Total NPAs</b>	<b>144,772</b>	<b>46,028</b>	<b>114,876</b>	<b>27,725</b>

## Ratio of Non Performing Asset

Particulars	Current Year	Previous Year
Gross NPA to gross advances	1.04%	1.00%
Net NPA to net advances	0.34%	0.25%

## Movement of Non performing Assets

NPR in 000'

Particulars	Current Year	Previous Year
Opening NPA	114,876	108,971
Addition during the Year	67,896	50,263
NPA recovery during the Year	38,000	44,358
Closing NPA	144,772	114,876

## Write off Loan and Interest Suspense:

NPR in 000'

Particulars	Current Year	Previous Year
Write off Loan	3,000	11,521
Write off Interest	1,376	8,996

## Movements in LLP and Interest Suspense:

NPR in 000'

Particulars	Current Year	Previous Year
Movements in Loan Loss Provisions	35,800	13,404
Movements in Interest Suspense	3,467	(552)
Additional LLP during the Year	38,800	24,925

## Summary of Bank's Internal Approach to assess Capital Adequacy

Bank management is responsible for understanding and assessing the nature as well as level of risk taken by the bank and relating the risk to the capital adequacy level.

The Credit Risk Management unit reviews the Credit Risk, analyzes the trend, and assesses the exposure impact on capital, which is vital in Credit decision-making. Also for managing Credit Risk Credit Policy, Credit Policy Manual and Product Papers have been developed for building risk awareness culture throughout the Organization.

In respect of operational risk, Operational In charges and Operation Managers of respective Branches and Departments provide operational loss data to Operation Manager, Corporate via regular reporting requirements stipulated by Operational Monitoring & Reporting Framework. These data are further analyzed, reported and appropriate action taken as per requirement.

With regard to market risk, Treasury maintains net open position of all currency on daily basis. Head Treasury reviews / analyzes the trend and assesses the exposure impact on capital. The net open position report is discussed at the ALCO for discussion and further set up of strategy.