

Disclosure of Capital Adequacy (Basel II)

As on 14 January 2010 (30th Poush 2066)

1. Capital Structure and Capital Adequacy

In NPR

1. 1 RISK WEIGHTED EXPOSURES		Current Month	Previous Month
a	Risk Weighted Exposure for Credit Risk	16,340,244,000	16,153,610,875
b	Risk Weighted Exposure for Operational Risk	851,163,538	851,163,538
c	Risk Weighted Exposure for Market Risk	82,116,741	199,018,641
Total Risk Weighted Exposures (a+b+c)		17,273,524,279	17,203,793,054
1.2 CAPITAL		Current Period	Previous Period
Core Capital (Tier 1)		1,851,536,507	1,824,100,382
a	Paid up Equity Share Capital	1,311,552,000	1,140,480,000
b	Irredeemable Non-cumulative preference shares	-	-
c	Proposed Bonus Equity Shares	-	171,072,000
d	Share Premium	41,873,580	41,873,580
e	Statutory General Reserves	220,570,480	220,570,480
f	Retained Earnings	30,557,473	30,557,473
g	Un-audited current year cumulative profit	202,393,618	174,980,070
h	Bond Redemption Reserve	42,191,781	42,191,781
i	Deferred Tax Reserve	3,100,041	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	702,466	725,043
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	-	-
Supplementary Capital (Tier 2)		313,796,724	308,318,810
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	157,808,219	157,808,219
c	Hybrid Capital Instruments	-	-
d	General loan loss provision	145,580,131	140,102,217
e	Exchange Equalization Reserve	10,408,374	10,408,374
f	Investment Adjustment Reserve	-	-
g	Assets Revaluation Reserve	-	-
h	Other Reserves	-	-
Total Capital Fund (Tier I and Tier II)		2,165,333,231	2,132,419,192
1.3 CAPITAL ADEQUACY RATIOS		Current Period	Previous Period
Tier 1 Capital to Total Risk Weighted Exposures		10.72%	10.60%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures		12.54%	12.40%
Minimum Capital fund required to be maintained on the basis of Risk Weighted Assets			
Capital Fund (@ 10 Percent for this year)		1,727,352,428	1,720,379,305
Core Capital (@ 6 Percent for this year)		1,036,411,457	1,032,227,583
4.72%	Excess to Core Capital	815,125,050	791,872,798
2.54%	Excess to Capital Fund	437,980,803	412,039,886

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 2065/66	:	Rs 40,000,000
For FY 2064/65	:	<u>Rs 2,191,781</u>
Total		Rs 42,191,781

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	16,340,244
b. Risk Weighted Exposure for Operational Risk	851,164
c. Risk Weighted Exposure for Market Risk	82,116
Total Risk Weighted Exposures (a + b + c)	17,273,524

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	448,098
Claims on Corporate and securities firms	7,583,622
Claims on regulatory retail Portfolio	2,330,810
Claims secured by Residential Properties	727,389
Claims secured by Commercial real estate	501,777
Past due Claims	107,999
High Risk Claims	2,627,254
Other Assets	793,785
Off Balance- Sheet Items	1,219,510
Total	16,340,244

Non Performing Assets

NPR in '000

Particulars	NPR in '000	
	Gross NPAs	Net NPAs
Restructured / Reschedule Loans	14,879	13,019
Sub Standard Loans	36,610	27,457
Doubtful Loans	64,242	32,121
Loss	63,992	-
Total NPAs	179,723	72,597

Ratio of Non Performing Asset

Particulars	
Gross NPA to gross advances	1.22%
Net NPA to net advances	0.50%

Movement of Non performing Assets

NPR in 000'

Particulars	
Opening NPA	144,772
Addition during the Year	59,682
NPA recovery during the Year	25,033
Closing NPA	179,421

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	(2,527)
Additional LLP during Six Months	15,948

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.