

**Capital Adequacy Disclosures**

As Per the Nepal Rastra Bank Capital Adequacy Framework 2015

Second Quarter-end of F.Y. 2019/20

**Tier-1 Capital and Breakdown of Its Components**

Particulars	Rs. In Million
<b>1 Common Equity Tier 1 Capital</b>	<b>23,102.94</b>
1.01 Paid-up Equity Share Capital	9,015.53
1.02 Proposed Bonus Shares	540.93
1.03 Equity Share Premium	-
1.04 Statutory General Reserves	6,918.92
1.05 Retained Earnings	2,881.10
1.06 Unaudited Current Year Cumulative Profit	1,582.87
1.07 Debenture Redemption Reserve	2,300.00
1.08 Other Reserves	0.23
1.09 Less: Investment in Equity of Licensed Financial Institutions	(35.17)
1.1 Less: Investment in Equity of Institutions with Financial Interest	(101.47)
1.11 Less: Deferred Tax Asset	(0.00)
<b>2 Additional Tier 1 Capital</b>	<b>5,432.71</b>
2.1 Irredeemable Non-Cumulative Preference Share Capital	5,432.71
<b>Total</b>	<b>28,535.65</b>

**Tier-2 Capital and Breakdown of Its Components**

Particulars	Rs. In Million
1 Subordinated Term Debt	-
2 General Loan Loss Provision	1,247.04
3 Investment Adjustment Reserve	8.05
4 Exchange Equalization Reserve	102.47
5 Other Reserves	243.84
<b>Total</b>	<b>1,601.39</b>

**Total Qualifying Capital**

Particulars	Rs. In Million
1 Core (Tier-1) Capital	28,535.65
1.1 Common Equity Tier-1 Capital	23,102.94
1.2 Additional Tier-1 Capital	5,432.71
2 Supplementary (Tier-2) Capital	1,601.39
<b>Total Capital Fund (Tier 1 + Tier 2)</b>	<b>30,137.04</b>

**Risk Weighted Exposures**

Particulars	Rs. In Million
1 Risk Weighted Exposure for Credit Risk	126,040.32
2 Risk Weighted Exposure for Operational Risk	12,590.52
3 Risk Weighted Exposure for Market Risk	62.87
<b>Total</b>	<b>138,693.71</b>

**Risk Weighted Exposure under each of 11 Categories of Credit Risk**

Particulars	Risk Weighted Exposure Million	(Rs. In Million)
1 Claims on Government and Central Bank	-	-
2 Claims on Other Official Entities	-	-
3 Claims on Banks	-	2,760.38
4 Claims on Corporate and Securities Firms	-	-
5 Claims on Regulatory Retail Portfolio	-	81,134.57
6 Claims Secured by Residential Properties	-	3,913.75
7 Claims Secured by Commercial Real State	-	697.35
8 Past Due Claims	-	-
9 High Risk Claims	-	-
10 Other Assets	-	7,564.39
11 Off-balance Sheet Items	-	29,969.88
<b>Total</b>	<b>126,040.32</b>	<b>126,040.32</b>

**Total Risk Weighted Exposure Calculation Table**

Particulars	Rs. In Million
1 Total Risk Weighted Exposures (After Supervisory Adjustment)	147,835
1.1 Total Risk Weighted Exposures (Prior to Supervisory Adjustment)	138,694
1.2 SRP 6.4 a (5) ALM Policies and Practices are not satisfactory, add 1% of net interest income to RWE	74
1.3 SRP 6.4 a (7) Add RWE equivalent to reciprocal of capital charge of 4% of Gross Income	3,520
1.4 SRP 6.4 a (9) Overall Risk Management Policies and Procedures are not Satisfactory. Add 3% of RWE	5,548
2 Total Core (Tier 1) Capital	28,536
2.1 Common Equity Tier-1 Capital	23,103
2.2 Additional Tier-1 Capital	5,433
3 Total Supplementary (Tier-2) Capital	1,601
4 Total Capital Fund (Tier-1 + Tier-2)	30,137
5 Common Equity Tier-1 Capital to Total Risk Weighted Exposures	15.63%
6 Core Capital to Total Risk Weighted Exposures	19.30%
7 Total Capital Fund to Total Risk Weighted Exposures	20.39%
8 Leverage Ratio	12.78

**Amount of Non-Performing Assets (NPA)**

Categories	Gross NPA (Rs. In Million)	Provision (Rs. In Million)	Net NPA (Rs. In Million)
1 Reschedule/Restructured Loan	227	28	199
2 Substandard Loan	1,821	455	1,366
3 Doubtful Loan	823	412	412
4 Loss Loan	1,735	1,735	-
<b>Total</b>	<b>4,606</b>	<b>2,630</b>	<b>1,976</b>

**NPA Ratio**

Gross NPA to Gross Loan and Advance	3.91%
Net NPA to Net Loan and Advance	1.73%

**Movement of Non-Performing Assets**

Categories	This Quarter (Rs.in Million)	Previous Quarter (Rs.in Million)	Difference (Rs. in Million)
1 Reschedule/Restructured loan	227	263	(36)
2 Substandard loan	1,821	1,654	167
3 Doubtful loan	823	741	82
4 Loss loan	1,735	1,487	248
<b>Total</b>	<b>4,606</b>	<b>4,145</b>	<b>461</b>

**Written-off Loan and Interest Suspense**

Categories	Rs. In Million
1 Write-off Loan and Its Interest	1,959
2 Interest suspense	373
<b>Total</b>	<b>2,332</b>

**Movement in Loan Loss Provision and Interest Suspense**

Categories	This Quarter (Rs.in Million)	Previous Quarter (Rs.in Million)	Difference (Rs. in Million)
1 Loan loss provision	3877	3,541	336
2 Interest suspense	373	361	12
<b>Total</b>	<b>4,250</b>	<b>3,902</b>	<b>348</b>

**Segregation of Investment Portfolio**

Categories	Amount in Million
1 Held-for-trading	-
2 Held-to-maturity	29,188
3 Available-for-sale	1,199
<b>Total</b>	<b>30,386</b>

**Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities.**

Bank conducts its operations based on the annual budget and programs approved by its board of directors. This is formulated by taking into accounts of the level of risk tolerance which forms the basis of determining the bank's business exposure and there by the amount of capital required. They also provide the guiding principle to assess and achieve the bank's statutory capital adequacy which are reflected in regular basis on review of achievements of targeted results throughout the year. The framework consisting various committees and department review and ensure adequacy of capital held by the bank either by influencing capital or risk exposures.