

Capital Adequacy Disclosures
As Per the Nepal Rastra Bank Capital Adequacy Framework 2015
First Quarter-end of F.Y. 2075/76

Tier-1 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Common Equity Tier 1 Capital	20,001.22
1.01 Paid-up Equity Share Capital	8,505.22
1.02 Proposed Bonus Shares	-
1.03 Equity Share Premium	-
1.04 Statutory General Reserves	5,392.14
1.05 Retained Earnings	4,044.15
1.06 Unaudited Current Year Cumulative Profit	390.63
1.07 Debenture Redemption Reserve	1,840.00
1.08 Other Reserves	0.23
1.09 Less: Investment in Equity of Licensed Financial Institutions	(35.14)
1.1 Less: Investment in Equity of Institutions with Financial Interest	(101.47)
1.11 Less: Deferred Tax Asset	(34.54)
2 Additional Tier 1 Capital	5,432.71
2.1 Irredeemable Non-Cumulative Preference Share Capital	5,432.71
Total	25,433.94

Tier-2 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Subordinated Term Debt	-
2 General Loan Loss Provision	1,221.24
3 Investment Adjustment Reserve	8.05
4 Exchange Equalization Reserve	134.07
5 Other Reserves	135.45
Total	1,498.81

Rs. 2.3 billion, 6% Debenture issued to Nepal Government with following details is going to be matured by Ashadh 1, 2076, i.e. 8 months from the reporting date, is not eligible to be reckoned as Tier-2 capital fund.

S.N.	Amount in Rs.	Issued Date	Redemption Date	Outstanding Amount
1	460,000,000	2067.03.01	2072.03.01	-
2	460,000,000	2067.03.02	2073.03.01	-
3	460,000,000	2067.03.03	2074.03.01	-
4	460,000,000	2067.03.04	2075.03.01	-
5	460,000,000	2067.03.05	2076.03.01	460,000,000
Total	2,300,000,000			460,000,000

At the reporting date, the remaining outstanding liability is Rs. 460 million and the redemption reserve created against the debenture is Rs. 1,840 million.

Total Qualifying Capital

Particulars	Rs. In Million
1 Core (Tier-1) Capital	25,433.94
1.1 Common Equity Tier-1 Capital	20,001.22
1.2 Additional Tier-1 Capital	5,432.71
2 Supplementary (Tier-2) Capital	1,498.81
Total Capital Fund (Tier 1 + Tier 2)	26,932.75

Risk Weighted Exposures

Particulars	Rs. In Million
1 Risk Weighted Exposure for Credit Risk	114,645.20
2 Risk Weighted Exposure for Operational Risk	11,938.94
3 Risk Weighted Exposure for Market Risk	48.00
Total	126,632.14

Risk Weighted Exposure under each of 11 Categories of Credit Risk

Particulars	Risk Weighted Exposure (Rs. In Million)
1 Claims on Government and Central Bank	-
2 Claims on Other Official Entities	-
3 Claims on Banks	3,552
4 Claims on Corporate and Securities Firms	
5 Claims on Regulatory Retail Portfolio	57,558
6 Claims Secured by Residential Properties	3,964
7 Claims Secured by Commercial Real State	509
8 Past Due Claims	22,987
9 High Risk Claims	-
10 Other Assets	5,333
11 Off-balance Sheet Items	20,742
Total	114,645

Total Risk Weighted Exposure Calculation Table

Particulars	Rs. In Million
1 Total Risk Weighted Exposures (After Supervisory Adjustment)	135,049
1.1 Total Risk Weighted Exposures (Prior to Supervisory Adjustment)	126,632
1.2 SRP 6.4 a (5) ALM Policies and Practices are not satisfactory, add 1% of net interest income to RWE	69
1.3 SRP 6.4 a (7) Add RWE equivalent to reciprocal of capital charge of 4% of Gross Income	3,283
1.4 SRP 6.4 a (9) Overall Risk Management Policies and Procedures are not Satisfactory. Add 3% of RWE	5,065
2 Total Core (Tier 1) Capital	25,434
2.1 Common Equity Tier-1 Capital	20,001
2.2 Additional Tier-1 Capital	5,433
3 Total Supplementary (Tier-2) Capital	1,499
4 Total Capital Fund (Tier-1 + Tier-2)	26,933
5 Common Equity Tier-1 Capital to Total Risk Weighted Exposures	14.81%
6 Core Capital to Total Risk Weighted Exposures	18.83%
7 Total Capital Fund to Total Risk Weighted Exposures	19.94%
8 Leverage Ratio	14.46

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	168	21	147
2 Substandard Loan	1,567	392	1,176
3 Doubtful Loan	740	370	370
4 Loss Loan	1,523	1,523	-
Total	3,998	2,306	1,692

NPA Ratio

Gross NPA to Gross Loan and Advance	3.93%
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	168	182	(14)
2 Substandard loan	1,567	843	724
3 Doubtful loan	740	671	69
4 Loss loan	1,523	1,511	12
Total	3,998	3,207	791

Written-off Loan and Interest Suspende

Categories	Rs. In Million
1 Write-off Loan and Its Interest	
2 Interest suspense	1,754
Total	1,754

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	4070	3,674	396
2 Interest suspense	1,754	1,497	257
Total	5,824	5,171	653

Detail of Additional Loan Loss Provision

Categories	This Quarter (Rs.in Million)	Previous Quarter (Rs.in Million)	Difference (Rs. in Million)
Additional Loan Loss Provision	543	543	-

Segregation of Investment Portfolio

Categories	Amount in Million
1 Held-for-trading	-
2 Held-to-maturity	18,289
3 Available-for-sale	481
Total	18,770

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. It further provides 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 consists of various committees and departments which review and take strategy to ensure adequacy of capital held by the bank either by influencing capital or risk exposures while meeting the statutory and regulatory requirement.