

Capital Adequacy Disclosures
As Per the Nepal Rastra Bank Capital Adequacy Framework 2015
Third 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	19,954.36
1.01 Paid-up Equity Share Capital	9,015.53
1.02 Proposed Bonus Shares	-
1.03 Equity Share Premium	-
1.04 Statutory General Reserves	6,080.60
1.05 Retained Earnings	482.10
1.06 Unaudited Current Year Cumulative Profit	2,212.50
1.07 Debenture Redemption Reserve	2,300.00
1.08 Other Reserves	0.23
1.09 Less: Investment in Equity of Licensed Financial Institutions	(35.14)
1.1 Less: Investment in Equity of Institutions with Financial Interest	(101.47)
1.11 Less: Deferred Tax Asset	(0.00)
2 Additional Tier 1 Capital	5,432.71
2.1 Irredeemable Non-Cumulative Preference Share Capital	5,432.71
Total	25,387.07

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	109.05
5 Other Reserves	164.33
Total	1,502.66

Rs. 2.3 billion, 6% Debenture issued to Nepal Government with following details is going to be matured on Ashadh 1, 2076.

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. 2.300 million.

Total Qualifying Capital

Particulars	Rs. In Million
1 Core (Tier-1) Capital	25,387.07
1.1 Common Equity Tier-1 Capital	19,954.36
1.2 Additional Tier-1 Capital	5,432.71
2 Supplementary (Tier-2) Capital	1,502.66
Total Capital Fund (Tier 1 + Tier 2)	26,889.73

Risk Weighted Exposures

Particulars	Rs. In Million
1 Risk Weighted Exposure for Credit Risk	115,872.77
2 Risk Weighted Exposure for Operational Risk	11,916.86
3 Risk Weighted Exposure for Market Risk	108.89
Total	127,898.52

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	2,789
4 Claims on Corporate and Securities Firms	-

5	Claims on Regulatory Retail Portfolio	70,650
6	Claims Secured by Residential Properties	3,967
7	Claims Secured by Commercial Real State	1,054
8	Past Due Claims	7,532
9	High Risk Claims	-
10	Other Assets	5,164
11	Off-balance Sheet Items	24,717
Total		115,873

Total Risk Weighted Exposure Calculation Table

Particulars	Rs. In Million
1 Total Risk Weighted Exposures (After Supervisory Adjustment)	136,206.93
1.1 Total Risk Weighted Exposures (Prior to Supervisory Adjustment)	127,898.52
1.2 SRP 6.4 a (5) ALM Policies and Practices are not satisfactory, add 1% of net interest income to RWE	66.37
1.3 SRP 6.4 a (7) Add RWE equivalent to reciprocal of capital charge of 4% of Gross Income	3,126.10
1.4 SRP 6.4 a (9) Overall Risk Management Policies and Procedures are not Satisfactory. Add 3% of RWE	5,115.94
2 Total Core (Tier 1) Capital	25,387.07
2.1 Common Equity Tier-1 Capital	19,954.36
2.2 Additional Tier-1 Capital	5,432.71
3 Total Supplementary (Tier-2) Capital	1,502.66
4 Total Capital Fund (Tier-1 + Tier-2)	26,889.73
5 Common Equity Tier-1 Capital to Total Risk Weighted Exposures	14.65%
6 Core Capital to Total Risk Weighted Exposures	18.64%
7 Total Capital Fund to Total Risk Weighted Exposures	19.74%
8 Leverage Ratio	14.08%

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	117	15	102
2 Substandard Loan	1,445	361	1,084
3 Doubtful Loan	1,437	719	719
4 Loss Loan	1,652	1,652	-
Total	4,651	2,746	1,905

NPA Ratio

Gross NPA to Gross Loan and Advance	4.22%
Net NPA to Net Loan and Advance	1.80%

Movement of Non-Performing Assets

Categories	This Quarter (Rs.in Million)	Previous Quarter (Rs.in Million)	Difference (Rs. in Million)
1 Reschedule/Restructured loan	117	233	(116)
2 Substandard loan	1,445	1,803	(358)
3 Doubtful loan	1,437	1,140	297
4 Loss loan	1,652	1,634	18
Total	4,651	4,810	(159)

Written-off Loan and Interest Suspense

Categories	Rs. In Million
1 Write-off Loan and Its Interest	3,194
2 Interest suspense	1,032
Total	4,226

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	4511	4,461	50
2 Interest suspense	1,032	1,841	(809)
Total	5,543	6,302	(760)

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	21,319
3 Available-for-sale	483
Total	21,802

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. These are 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 departments review and ensure adequacy of capital held by the bank either by influencing capital or risk exposures.