

Capital Adequacy Disclosures
As Per the Nepal Rastra Bank Capital Adequacy Framework 2015
Fourth Quarter-end of F.Y. 2017/18

Tier-1 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Common Equity Tier 1 Capital	19,597.66
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	334.96
1.06 Unaudited Current Year Cumulative Profit	3,696.27
1.07 Debenture Redemption Reserve	1,840.00
1.08 Other Reserves	0.23
1.09 Less: Investment in Equity of Licensed Financial Institutions	(104.52)
1.1 Less: Investment in Equity of Institutions with Financial Interest	(32.08)
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	25,030.38

Tier-2 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Subordinated Term Debt	-
2 General Loan Loss Provision	1,051.56
3 Investment Adjustment Reserve	8.05
4 Exchange Equalization Reserve	134.07
5 Other Reserves	135.45
Total	1,329.13

Total Qualifying Capital

Particulars	Rs. In Million
1 Core (Tier-1) Capital	25,030.38
1.1 Common Equity Tier-1 Capital	19,597.66
1.2 Additional Tier-1 Capital	5,432.71
2 Supplementary (Tier-2) Capital	1,329.13
Total Capital Fund (Tier 1 + Tier 2)	26,359.51

Risk Weighted Exposures

Particulars	Rs. In Million
1 Risk Weighted Exposure for Credit Risk	111,057.06
2 Risk Weighted Exposure for Operational Risk	11,215.03
3 Risk Weighted Exposure for Market Risk	93.61
Total	122,365.69

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	2,759.82
4	Claims on Corporate and Securities Firms	492.45
5	Claims on Regulatory Retail Portfolio	58,482.48
6	Claims Secured by Residential Properties	3,236.79
7	Claims Secured by Commercial Real State	482.90
8	Past Due Claims	19,154.73
9	High Risk Claims	-
10	Other Assets	5,500.62
11	Off-balance Sheet Items	20,947.27
Total		111,057.06

Total Risk Weighted Exposure Calculation Table

Particulars		Rs. In Million
1	Total Risk Weighted Exposures (After Supervisory Adjustment)	130,619
1.1	Total Risk Weighted Exposures (Prior to Supervisory Adjustment)	122,366
1.2	SRP 6.4 a (5) ALM Policies and Practices are not satisfactory, add 1% of net interest income to RWE	71
1.3	SRP 6.4 a (7) Add RWE equivalent to reciprocal of capital charge of 4% of Gross Income	3,287
1.4	SRP 6.4 a (9) Overall Risk Management Policies and Procedures are not Satisfactory. Add 3% of RWE	4,895
2	Total Core (Tier 1) Capital	25,030
2.1	Common Equity Tier-1 Capital	19,598
2.2	Additional Tier-1 Capital	5,433
3	Total Supplementary (Tier-2) Capital	1,329
4	Total Capital Fund (Tier-1 + Tier-2)	26,360
5	Common Equity Tier-1 Capital to Total Risk Weighted Exposures	15.00%
6	Core Capital to Total Risk Weighted Exposures	19.16%
7	Total Capital Fund to Total Risk Weighted Exposures	20.18%
8	Leverage Ratio	14.42

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	182	23	159
2 Substandard Loan	843	211	632
3 Doubtful Loan	671	335	335
4 Loss Loan	1,511	1,511	-
Total	3,206	2,079	1,127

NPA Ratio

Gross NPA to Gross Loan and Advance	3.20%
Net NPA to Net Loan and Advance	1.16%

Movement of Non-Performing Assets

Categories	This Quarter (Rs.in Million)	Previous Quarter (Rs.in Million)	Difference (Rs. in Million)
1 Reschedule/Restructured loan	182	132	51
2 Substandard loan	843	2,187	(1,344)
3 Doubtful loan	671	1,716	(1,046)
4 Loss loan	1,511	1,943	(432)
Total	3,206	5,977	(2,771)

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	3,674	5,023	(1,348)
2 Interest suspense	1,497	1,840	(343)
Total	5,172	6,863	(1,691)

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	16,631
3 Available-for-sale	475
Total	17,106

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 account the level of risk tolerance which forms the basis of determining the bank's business exposure and thereby 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 measure or by influencing the risk exposures whilst meeting the statutory and regulatory requirement.