

Capital Adequacy Disclosures
As Per the Nepal Rastra Bank Capital Adequacy Framework 2015
Fourth Quarter-end of F.Y. 2016/017

Tier-1 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Common Equity Tier 1 Capital	16,692.19
1.01 Paid-up Equity Share Capital	7,087.68
1.02 Equity Share Premium	540.83
1.03 Statutory General Reserves	4,879.09
1.04 Retained Earnings	182.22
1.05 Unaudited Current Year Cumulative Profit	2,776.70
1.06 Debenture Redemption Reserve	1,380.00
1.07 Other Reserves	0.23
1.08 Less: Investment in Equity of Licensed Financial Institutions	(104.52)
1.09 Less: Investment in Equity of Institutions with Financial Interest	(32.08)
1.10 Less: Deferred Tax Asset	(17.95)
2 Additional Tier 1 Capital	5,432.71
2.1 Irredeemable Non-Cumulative Preference Share Capital	5,432.71
Total	22,124.91

Tier-2 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Subordinated Term Debt	920.00
2 General Loan Loss Provision	1,263.73
3 Investment Adjustment Reserve	4.37
4 Exchange Equalization Reserve	106.69
5 Deferred Tax Reserve	17.95
Total	2,312.73

Detailed information about the subordinated term debt with information on the outstanding amount, maturity amount raised during the year and amount eligible to be reckoned as capital funds.

Rs. 2.3 billion, 6 percent debentures issued to Nepal Government with the following details having maturity period of more than five years and are 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	460,000,000
5	460,000,000	2067.03.05	2076.03.01	460,000,000
Total	2,300,000,000			920,000,000

At the reporting date, the remaining outstanding liability is Rs. 920 million and the redemption reserve created against the debenture is Rs. 1,380 million.

Total Qualifying Capital

Particulars	Rs. In Million
1 Core (Tier-1) Capital	22,124.91
1.1 Common Equity Tier-1 Capital	16,692.19
1.2 Additional Tier-1 Capital	5,432.71
2 Supplementary (Tier-2) Capital	2,312.73
Total Capital Fund (Tier 1 + Tier 2)	24,437.64

Risk Weighted Exposures

Particulars	Rs. In Million
1 Risk Weighted Exposure for Credit Risk	122,790.92
2 Risk Weighted Exposure for Operational Risk	9,939.58
3 Risk Weighted Exposure for Market Risk	103.90
Total	132,834.39

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	1,740.60
4 Claims on Corporate and Securities Firms	267.92
5 Claims on Regulatory Retail Portfolio	81,187.91
6 Claims Secured by Residential Properties	3,344.07
7 Claims Secured by Commercial Real State	610.92
8 Past Due Claims	755.77
9 High Risk Claims	-
10 Other Assets	18,587.43
11 Off-balance Sheet Items	16,296.30
Total	122,790.92

Total Risk Weighted Exposure Calculation Table

Particulars	Rs. In Million
1 Total Risk Weighted Exposures (After Supervisory Adjustment)	139,863
1.1 Total Risk Weighted Exposures (Prior to Supervisory Adjustment)	132,834
1.2 SRP 6.4 a (5) ALM Policies and Practices are not satisfactory, add 1% of net interest income to RWE	63
1.3 SRP 6.4 a (7) Add RWE equivalent to reciprocal of capital charge of 4% of Gross Income	2,981
1.4 SRP 6.4 a (9) Overall Risk Management Policies and Procedures are not Satisfactory. Add 3% of RWE	3,985
2 Total Core (Tier 1) Capital	22,125
2.1 Common Equity Tier-1 Capital	16,692
2.2 Additional Tier-1 Capital	5,433
3 Total Supplementary (Tier-2) Capital	2,313
4 Total Capital Fund (Tier-1 + Tier-2)	24,438
5 Common Equity Tier-1 Capital to Total Risk Weighted Exposures	11.93%
6 Core Capital to Total Risk Weighted Exposures	15.82%
7 Total Capital Fund to Total Risk Weighted Exposures	17.47%
8 Leverage Ratio	13.43%

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	401	281	120
2 Substandard Loan	80	20	60
3 Doubtful Loan	142	71	71
4 Loss Loan	2,132	2,132	-
Total	2,756	2,504	252

NPA Ratio

Gross NPA to Gross Loan and Advance	2.97%
Net NPA to Net Loan and Advance	0.29%

Movement of Non-Performing Assets

Categories	This Quarter (Rs.in Million)	Previous Quarter (Rs.in Million)	Difference (Rs. in Million)
1 Reschedule/Restructured loan	401	352	49
2 Substandard loan	80	510	(430)
3 Doubtful loan	142	854	(712)
4 Loss loan	2,132	1,359	773
Total	2,756	3,076	(320)

Written-off Loan and Interest Suspense

Categories	Rs. In Million
1 Write-off Loan and Its Interest	3,257
2 Interest suspense	1,692
Total	4,949

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	4,419	4,476	(57)
2 Interest suspense	1,692	2,007	(315)
Total	6,111	6,483	(372)

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	651	651	-

Segregation of Investment Portfolio

Categories	Amount in Million
1 Held-for-trading	-
2 Held-to-maturity	15,534
3 Available-for-sale	404
Total	15,938

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

The 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 consequently determines the bank's business exposure and there by the amount of capital required. Throughout the year, it then functions as a guiding principle to assess the bank's statutory capital adequacy as reflected in the achievements of targeted results. The framework, consisting of various committees and departments, established then adjusts the amount of capital held by the bank to meet the statutory requirement either by influencing capital or risk exposure.