

Capital Adequacy Disclosures
As Per the Nepal Rastra Bank Capital Adequacy Framework 2015
Second Quarter-end of F.Y. 2020/21

Tier-1 Capital and Breakdown of Its Components

| Particulars | Rs. In Million |
|--|------------------|
| 1 Common Equity Tier 1 Capital | 22,313.90 |
| 1.01 Paid-up Equity Share Capital | 10,989.93 |
| 1.02 Proposed Bonus Shares | - |
| 1.03 Equity Share Premium | - |
| 1.04 Statutory General Reserves | 7,585.27 |
| 1.05 Retained Earnings | 1,924.60 |
| 1.06 Unaudited Current Year Cumulative Profit | 1,285.27 |
| 1.07 Debenture Redemption Reserve | 866.53 |
| 1.08 Other Reserves | 0.23 |
| 1.09 Less: Investment in Equity of Licensed Financial Institutions | (236.46) |
| 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 | 27,746.61 |

Tier-2 Capital and Breakdown of Its Components

| Particulars | Rs. In Million |
|---------------------------------|-----------------|
| 1 Subordinated Term Debt | 2,500.00 |
| 2 General Loan Loss Provision | 1,511.83 |
| 3 Investment Adjustment Reserve | 8.05 |
| 4 Exchange Equalization Reserve | 104.01 |
| 5 Other Reserves | 250.96 |
| Total | 4,374.86 |

Total Qualifying Capital

| Particulars | Rs. In Million |
|---|------------------|
| 1 Core (Tier-1) Capital | 27,746.61 |
| 1.1 Common Equity Tier-1 Capital | 22,313.90 |
| 1.2 Additional Tier-1 Capital | 5,432.71 |
| 2 Supplementary (Tier-2) Capital | 4,374.86 |
| Total Capital Fund (Tier 1 + Tier 2) | 32,121.47 |

Risk Weighted Exposures

| Particulars | Rs. In Million |
|---|-------------------|
| 1 Risk Weighted Exposure for Credit Risk | 152,174.72 |
| 2 Risk Weighted Exposure for Operational Risk | 11,752.72 |
| 3 Risk Weighted Exposure for Market Risk | 164.31 |
| Total | 164,091.74 |

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 | 3,000.69 |
| 4 Claims on Corporate and Securities Firms | - |
| 5 Claims on Regulatory Retail Portfolio | 84,176.20 |
| 6 Claims Secured by Residential Properties | 3,315.89 |
| 7 Claims Secured by Commercial Real State | 394.43 |
| 8 Past Due Claims | 1,698.68 |
| 9 High Risk Claims | 13,012.86 |
| 10 Other Assets | 12,197.55 |
| 11 Off-balance Sheet Items | 34,378.41 |
| Total | 152,174.72 |

Total Risk Weighted Exposure Calculation Table

| Particulars | Rs. In Million |
|---|----------------|
| 1 Total Risk Weighted Exposures (After Supervisory Adjustment) | 171,541 |
| 1.1 Total Risk Weighted Exposures (Prior to Supervisory Adjustment) | 164,092 |
| 1.2 SRP 6.4 a (5) ALM Policies and Practices are not satisfactory, add 1% of net interest income to RWE | 67 |
| 1.3 SRP 6.4 a (7) Add RWE equivalent to reciprocal of capital charge of 4% of Gross Income | 2,460 |
| 1.4 SRP 6.4 a (9) Overall Risk Management Policies and Procedures are not Satisfactory. Add 3% of RWE | 4,923 |
| 2 Total Core (Tier 1) Capital | 27,747 |
| 2.1 Common Equity Tier-1 Capital | 22,314 |
| 2.2 Additional Tier-1 Capital | 5,433 |
| 3 Total Supplementary (Tier-2) Capital | 4,375 |
| 4 Total Capital Fund (Tier-1 + Tier-2) | 32,121 |
| 5 Common Equity Tier-1 Capital to Total Risk Weighted Exposures | 13.01% |
| 6 Core Capital to Total Risk Weighted Exposures | 16.17% |
| 7 Total Capital Fund to Total Risk Weighted Exposures | 18.73% |
| 8 Leverage Ratio | 10.49 |

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 | 259 | 32 | 227 |
| 2 Substandard Loan | 857 | 214 | 643 |
| 3 Doubtful Loan | 709 | 354 | 354 |
| 4 Loss Loan | 2,326 | 2,326 | - |
| Total | 4,151 | 2,927 | 1,224 |

NPA Ratio

| | |
|-------------------------------------|-------|
| Gross NPA to Gross Loan and Advance | 3.14% |
| Net NPA to Net Loan and Advance | 0.96% |

Movement of Non-Performing Assets

| Categories | This Quarter (Rs.in Million) | Previous Quarter (Rs.in Million) | Difference (Rs. in Million) |
|--------------------------------|------------------------------|----------------------------------|-----------------------------|
| 1 Reschedule/Restructured loan | 259 | 290 | (31) |
| 2 Substandard loan | 857 | 6 | 851 |
| 3 Doubtful loan | 709 | 354 | 354 |
| 4 Loss loan | 2,326 | 2,271 | 55 |
| Total | 4,151 | 2,922 | 1,230 |

Written-off Loan and Interest Suspense

| Categories | Rs. In Million |
|-----------------------------------|----------------|
| 1 Write-off Loan and Its Interest | 2,005 |
| 2 Interest suspense | |
| Total | 2,005 |

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 | 4470 | 4,363 | 108 |
| 2 Interest suspense | 1,050 | 1,420 | (370) |
| Total | 5,520 | 5,783 | (263) |

Segregation of Investment Portfolio

| Categories | Amount in Million |
|----------------------|-------------------|
| 1 Held-for-trading | 555 |
| 2 Held-to-maturity | 38,007 |
| 3 Available-for-sale | 885 |
| Total | 39,447 |

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

Bank has a framework "Internal Capital Adequacy Assessment Process (ICAAP)" for determining internal capital adequacy requirement in relation to risk profile of Bank, which is conducted annually by independent Risk Management Department. The ICAAP covers bank's attitude towards risk, business and risk strategy, risk appetite, risk assessment and aggregation, stress and scenario testing. Based upon the framework, bank has assessed internal capital requirement for upcoming four fiscal year under assumed different three scenarios. The Capital adequacy requirement assessed under those scenarios shows adequate capital. The annual assessment revises the internal capital requirements, if the risk profile of bank at the point of time is changed. A CEO level "ICAAP Steering Committee" is in action for reviewing ICAAP document and implementation of its recommendations. The assessment is further analyzed in Board level Risk Management Committee (RMC) and forwarded to Board for oversight.