

Capital Adequacy Disclosures
As Per the Nepal Rastra Bank Capital Adequacy Framework 2015
Third 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	23,227.07
1 Paid-up Equity Share Capital	10,989.93
1 Proposed Bonus Shares	-
1 Equity Share Premium	-
1 Statutory General Reserves	7,585.27
1.1 Retained Earnings	1,958.96
1.1 Unaudited Current Year Cummulative Profit	2,235.42
1.1 Debenture Redemption Reserve	866.53
1.1 Other Reserves	0.23
1.1 Less: Investment in Equity of Licensed Financial Institutions	(307.80)
1.1 Less: Investment in Equity of Institutions with Financial Interest	(101.47)
1.1 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	28,659.78

Tier-2 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Subordinated Term Debt	8,500.00
2 General Loan Loss Provision	1,580.54
3 Investment Adjustment Reserve	8.05
4 Exchange Equalization Reserve	104.01
5 Other Reserves	250.96
Total	10,443.57

Total Qualifying Capital

Particulars	Rs. In Million
1 Core (Tier-1) Capital	28,659.78
1.1 Common Equity Tier-1 Capital	23,227.07
1.2 Additional Tier-1 Capital	5,432.71
2 Supplementary (Tier-2) Capital	10,443.57
Total Capital Fund (Tier 1 + Tier 2)	39,103.35

Risk Weighted Exposures

Particulars	Rs. In Million
1 Risk Weighted Exposure for Credit Risk	165,567.14
2 Risk Weighted Exposure for Operational Risk	11,752.72
3 Risk Weighted Exposure for Market Risk	118.00
Total	177,437.86

Risk Weighted Exposure under each of 11 Categories of Credit Risk

Particulars	Risk Weighted Exposure In Million)	(Rs.)
1 Claims on Government and Central Bank	-	-
2 Claims on Other Official Entities	-	-
3 Claims on Banks	2,621.00	-
4 Claims on Corporate and Securities Firms	-	-
5 Claims on Regulatory Retail Portfolio	91,095.32	-

6	Claims Secured by Residential Properties	3,685.76
7	Claims Secured by Commercial Real State	539.56
8	Past Due Claims	2,186.08
9	High Risk Claims	16,966.38
10	Other Assets	11,773.74
11	Off-balance Sheet Items	36,699.31
Total		165,567.14

Total Risk Weighted Exposure Calculation Table

Particulars	Rs. In Million
1 Total Risk Weighted Exposures (After Supervisory Adjustment)	185,288
1.1 Total Risk Weighted Exposures (Prior to Supervisory Adjustment)	177,438
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 3% 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	5,323
2 Total Core (Tier 1) Capital	28,660
2.1 Common Equity Tier-1 Capital	23,227
2.2 Additional Tier-1 Capital	5,433
3 Total Supplementary (Tier-2) Capital	10,444
4 Total Capital Fund (Tier-1 + Tier-2)	39,103
5 Common Equity Tier-1 Capital to Total Risk Weighted Exposures	12.54%
6 Core Capital to Total Risk Weighted Exposures	15.47%
7 Total Capital Fund to Total Risk Weighted Exposures	21.10%
8 Leverage Ratio	10.34

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	179	22	157
2 Substandard Loan	1,251	313	938
3 Doubtful Loan	1,004	502	502
4 Loss Loan	2,036	2,036	-
Total	4,470	2,873	1,597

NPA Ratio

Gross NPA to Gross Loan and Advance	3.08%
Net NPA to Net Loan and Advance	1.13%

Movement of Non-Performing Assets

Categories	This Quarter (Rs.in Million)	Previous Quarter (Rs.in Million)	Difference (Rs. in Million)
1 Reschedule/Restructured loan	179	259	(80)
2 Substandard loan	1,251	857	394
3 Doubtful loan	1,004	709	296
4 Loss loan	2,036	2,326	(290)
Total	4,470	4,151	319

Written-off Loan and Interest Suspense

Categories	Rs. In Million
1 Write-off Loan and Its Interest	1,995
2 Interest suspense	
Total	1,995

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	4486	4,470	15
2 Interest suspense	881	1,050	(169)
Total	5,366	5,520	(154)

Segregation of Investment Portfolio

Categories	Amount in Million
1 Held-for-trading	212
2 Held-to-maturity	26,114
3 Available-for-sale	1,833
Total	28,159

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. The ICAAP Steering Committee also reviews the quarterly Capital Adequacy Profile of Bank.