

Capital Adequacy Disclosures

As Per the Nepal Rastra Bank Capital Adequacy Framework 2015

First 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	21,957.84
1.01 Paid-up Equity Share Capital	9,556.46
1.02 Proposed Bonus Shares	-
1.03 Equity Share Premium	-
1.04 Statutory General Reserves	7,607.49
1.05 Retained Earnings	2,296.22
1.06 Unaudited Current Year Cummulative Profit	461.47
1.07 Debenture Redemption Reserve	2,300.00
1.08 Other Reserves	0.23
1.09 Less: Investment in Equity of Licensed Financial Institutions	(162.56)
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	27,390.56

Tier-2 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Subordinated Term Debt	2,500.00
2 General Loan Loss Provision	1,736.04
3 Investment Adjustment Reserve	8.05
4 Exchange Equalization Reserve	104.01
5 Other Reserves	252.08
Total	4,600.18

Total Qualifying Capital

Particulars	Rs. In Million
1 Core (Tier-1) Capital	27,390.56
1.1 Common Equity Tier-1 Capital	21,957.84
1.2 Additional Tier-1 Capital	5,432.71
2 Supplementary (Tier-2) Capital	4,600.18
Total Capital Fund (Tier 1 + Tier 2)	31,990.73

Risk Weighted Exposures

Particulars	Rs. In Million
1 Risk Weighted Exposure for Credit Risk	138,883.17
2 Risk Weighted Exposure for Operational Risk	11,403.67
3 Risk Weighted Exposure for Market Risk	148.68
Total	150,435.52

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	3,432.32
4 Claims on Corporate and Securities Firms	-
5 Claims on Regulatory Retail Portfolio	79,848.71
6 Claims Secured by Residential Properties	3,277.64
7 Claims Secured by Commercial Real State	289.71
8 Past Due Claims	580.15
9 High Risk Claims	10,241.96
10 Other Assets	10,263.50
11 Off-balance Sheet Items	30,949.18
Total	138,883.17

Total Risk Weighted Exposure Calculation Table

Particulars	Rs. In Million
1 Total Risk Weighted Exposures (After Supervisory Adjustment)	157,322
1.1 Total Risk Weighted Exposures (Prior to Supervisory Adjustment)	150,436
1.2 SRP 6.4 a (5) ALM Policies and Practices are not satisfactory, add 1% of net interest income to RWE	62
1.3 SRP 6.4 a (7) Add RWE equivalent to reciprocal of capital charge of 4% of Gross Income	2,311
1.4 SRP 6.4 a (9) Overall Risk Management Policies and Procedures are not Satisfactory. Add 3% of RWE	4,513
2 Total Core (Tier 1) Capital	27,391
2.1 Common Equity Tier-1 Capital	21,958
2.2 Additional Tier-1 Capital	5,433
3 Total Supplementary (Tier-2) Capital	4,600
4 Total Capital Fund (Tier-1 + Tier-2)	31,991
5 Common Equity Tier-1 Capital to Total Risk Weighted Exposures	13.96%
6 Core Capital to Total Risk Weighted Exposures	17.41%
7 Total Capital Fund to Total Risk Weighted Exposures	20.33%
8 Leverage Ratio	11.20

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	290	36	254
2 Substandard Loan	6	2	5
3 Doubtful Loan	354	177	177
4 Loss Loan	2,271	-	-
Total	2,922	2,486	435

NPA Ratio

Gross NPA to Gross Loan and Advance	2.37%
Net NPA to Net Loan and Advance	0.37%

Movement of Non-Performing Assets

Categories	This Quarter (Rs.in Million)	Previous Quarter (Rs.in Million)	Difference (Rs. in Million)
1 Reschedule/Restructured loan	290	310	(20)
2 Substandard loan	6	7	(0)
3 Doubtful loan	354	1,299	(945)
4 Loss loan	2,271	1,725	546
Total	2,922	3,341	(419)

Written-off Loan and Interest Suspense

Categories	Rs. In Million
1 Loan written off	395
2 Interest suspense	1,607
Total	2,003

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	4363	4,046	317
2 Interest suspense	606	491	115
Total	4,969	4,537	432

Segregation of Investment Portfolio

Categories	Amount in Million
1 Held-for-trading	255
2 Held-to-maturity	33,423
3 Available-for-sale	845
Total	34,523

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. The assessment is further analyzed in Board level Risk Management Committee (RMC) and forwarded to Board for oversight.