

Capital Adequacy Disclosures
As Per the Nepal Rastra Bank Capital Adequacy Framework 2015
Third 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 | 17,700.93 |
| 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 | 346.10 |
| 1.06 Unaudited Current Year Cumulative Profit | 1,788.39 |
| 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 | 23,133.64 |

Tier-2 Capital and Breakdown of Its Components

| Particulars | Rs. In Million |
|---------------------------------|-----------------|
| 1 Subordinated Term Debt | 92.00 |
| 2 General Loan Loss Provision | 1,115.52 |
| 3 Investment Adjustment Reserve | 8.05 |
| 4 Exchange Equalization Reserve | 134.07 |
| 5 Other Reserves | 136.40 |
| Total | 1,486.04 |

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. 1,840 million.

Further, as per Capital Adequacy Framework 2015, these dated instruments for being eligible for inclusion in Tier, shall be subjected to a progressive discount for capital adequacy purposes over the last five years of their tenor, as they approach maturity. So they have been amortized at 100% (instrument with maturity less than a year) & 80% (instrument with maturity of 1 year or above but less than 2 year) for inclusion in Tier 2 category.

Total Qualifying Capital

| Particulars | Rs. In Million |
|---|------------------|
| 1 Core (Tier-1) Capital | 23,133.64 |
| 1.1 Common Equity Tier-1 Capital | 17,700.93 |
| 1.2 Additional Tier-1 Capital | 5,432.71 |
| 2 Supplementary (Tier-2) Capital | 1,486.04 |
| Total Capital Fund (Tier 1 + Tier 2) | 24,619.68 |

Risk Weighted Exposures

| Particulars | Rs. In Million |
|---|-------------------|
| 1 Risk Weighted Exposure for Credit Risk | 99,005.32 |
| 2 Risk Weighted Exposure for Operational Risk | 11,215.03 |
| 3 Risk Weighted Exposure for Market Risk | 191.60 |
| Total | 110,411.94 |

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 | 1,942.03 |
| 4 Claims on Corporate and Securities Firms | 363.14 |
| 5 Claims on Regulatory Retail Portfolio | 67,319.94 |
| 6 Claims Secured by Residential Properties | 2,726.27 |
| 7 Claims Secured by Commercial Real State | 723.83 |
| 8 Past Due Claims | 119.33 |
| 9 High Risk Claims | - |
| 10 Other Assets | 8,075.48 |
| 11 Off-balance Sheet Items | 17,735.29 |
| Total | 99,005.32 |

Total Risk Weighted Exposure Calculation Table

| Particulars | Rs. In Million |
|---|----------------|
| 1 Total Risk Weighted Exposures (After Supervisory Adjustment) | 118,187 |
| 1.1 Total Risk Weighted Exposures (Prior to Supervisory Adjustment) | 110,412 |
| 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 | 4,416 |
| 2 Total Core (Tier 1) Capital | 23,134 |
| 2.1 Common Equity Tier-1 Capital | 17,701 |
| 2.2 Additional Tier-1 Capital | 5,433 |
| 3 Total Supplementary (Tier-2) Capital | 1,486 |
| 4 Total Capital Fund (Tier-1 + Tier-2) | 24,620 |
| 5 Common Equity Tier-1 Capital to Total Risk Weighted Exposures | 14.98% |
| 6 Core Capital to Total Risk Weighted Exposures | 19.57% |
| 7 Total Capital Fund to Total Risk Weighted Exposures | 20.83% |
| 8 Leverage Ratio | 14.55 |

NPA Ratio

| | |
|-------------------------------------|-------|
| Gross NPA to Gross Loan and Advance | 3.49% |
| Net NPA to Net Loan and Advance | 2.71% |

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 | 132 | 16 | 115 |
| 2 Substandard Loan | 2,187 | 547 | 1,640 |
| 3 Doubtful Loan | 1,716 | 858 | 858 |
| 4 Loss Loan | 1,943 | 1,943 | 0 |
| Total | 5,977 | 3,364 | 2,613 |

Movement of Non-Performing Assets

| Categories | This Quarter (Rs.in Million) | Previous Quarter (Rs.in Million) | Difference (Rs. in Million) |
|--------------------------------|------------------------------|----------------------------------|-----------------------------|
| 1 Reschedule/Restructured loan | 132 | 266 | (135) |
| 2 Substandard loan | 2,187 | 2,161 | 25 |
| 3 Doubtful loan | 1,716 | 1,508 | 209 |
| 4 Loss loan | 1,943 | 1,985 | (43) |
| Total | 5,977 | 5,921 | 57 |

Written-off Loan and Interest Suspense

| Categories | | Rs. In Million |
|--------------|---------------------------------|----------------|
| 1 | Write-off Loan and Its Interest | 3,080 |
| 2 | Interest suspense | 2,039 |
| Total | | 5,119 |

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 | 5,023 | 5,043 | (20) |
| 2 | Interest suspense | 1,840 | 2,039 | (199) |
| Total | | 6,863 | 7,081 | (219) |

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 | 12,252 |
| 3 | Available-for-sale | 451 |
| Total | | 12,703 |

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.