

Capital Adequacy Disclosures
As Per the Nepal Rastra Bank Capital Adequacy Framework 2015
Second Quarter-end of F.Y. 2075/76

Tier-1 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Common Equity Tier 1 Capital	20,704.34
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	4,044.16
1.06 Unaudited Current Year Cummulative Profit	1,093.75
1.07 Debenture Redemption Reserve	1,840.00
1.08 Other Reserves	0.23
1.09 Less: Investment in Equity of Licensed Financial Institutions	(35.14)
1.1 Less: Investment in Equity of Institutions with Financial Interest	(101.47)
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	26,137.06

Tier-2 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Subordinated Term Debt	-
2 General Loan Loss Provision	1,175.76
3 Investment Adjustment Reserve	8.05
4 Exchange Equalization Reserve	134.07
5 Other Reserves	135.45
Total	1,453.33

Rs. 2.3 billion, 6% Debenture issued to Nepal Government with following details is going to be matured by Ashadh 1, 2076, i.e. 8 months from the reporting date, is not 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	-
5	460,000,000	2067.03.05	2076.03.01	460,000,000
Total	2,300,000,000			460,000,000

At the reporting date, the remaining outstanding liability is Rs. 460 million and the redemption reserve created against the debentue is Rs. 1,840 million.

Total Qualifying Capital

Particulars	Rs. In Million
1 Core (Tier-1) Capital	26,137.06
1.1 Common Equity Tier-1 Capital	20,704.34
1.2 Additional Tier-1 Capital	5,432.71
2 Supplementary (Tier-2) Capital	1,453.33
Total Capital Fund (Tier 1 + Tier 2)	27,590.39

Risk Weighted Exposures

Particulars	Rs. In Million
1 Risk Weighted Exposure for Credit Risk	124,806.98
2 Risk Weighted Exposure for Operational Risk	11,830.41
3 Risk Weighted Exposure for Market Risk	79.68
Total	136,717.08

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	3,454
4 Claims on Corporate and Securities Firms	
5 Claims on Regulatory Retail Portfolio	55,604
6 Claims Secured by Residential Properties	3,859
7 Claims Secured by Commercial Real State	543
8 Past Due Claims	33,618
9 High Risk Claims	-
10 Other Assets	5,374
11 Off-balance Sheet Items	22,355
Total	124,807

Total Risk Weighted Exposure Calculation Table

Particulars	Rs. In Million
1 Total Risk Weighted Exposures (After Supervisory Adjustment)	145,448
1.1 Total Risk Weighted Exposures (Prior to Supervisory Adjustment)	136,717
1.2 SRP 6.4 a (5) ALM Policies and Practices are not satisfactory, add 1% of net interest income to RWE	66
1.3 SRP 6.4 a (7) Add RWE equivalent to reciprocal of capital charge of 4% of Gross Income	3,196
1.4 SRP 6.4 a (9) Overall Risk Management Policies and Procedures are not Satisfactory. Add 3% of RWE	5,469
2 Total Core (Tier 1) Capital	26,137
2.1 Common Equity Tier-1 Capital	20,704
2.2 Additional Tier-1 Capital	5,433
3 Total Supplementary (Tier-2) Capital	1,453
4 Total Capital Fund (Tier-1 + Tier-2)	27,590
5 Common Equity Tier-1 Capital to Total Risk Weighted Exposures	14.23%
6 Core Capital to Total Risk Weighted Exposures	17.97%
7 Total Capital Fund to Total Risk Weighted Exposures	18.97%
8 Leverage Ratio	14.11

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	233	87	146
2 Substandard Loan	1,803	451	1,352
3 Doubtful Loan	1,140	570	570
4 Loss Loan	1,634	1,634	-
Total	4,810	2,742	2,068

NPA Ratio

Gross NPA to Gross Loan and Advance	4.29%
Net NPA to Net Loan and Advance	1.92%

Movement of Non-Performing Assets

Categories	This Quarter (Rs.in Million)	Previous Quarter (Rs.in Million)	Difference (Rs. in Million)
1 Reschedule/Restructured loan	233	168	65
2 Substandard loan	1,803	1,567	236
3 Doubtful loan	1,140	740	400
4 Loss loan	1,634	1,523	111
Total	4,810	3,998	812

Written-off Loan and Interest Suspend

Categories	Rs. In Million
1 Write-off Loan and Its Interest	3,184
2 Interest suspense	1,841
Total	5,025

Movement in Loan Loss Provision and Intrest Suspense

Categories	This Quarter (Rs.in Million)	Previous Quarter (Rs.in Million)	Difference (Rs. in Million)
1 Loan loss provision	4461	4,070	391
2 Interest suspense	1,841	1,754	87
Total	6,302	5,824	478

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	16,999
3 Available-for-sale	483
Total	17,482

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. These are formulated by taking into accounts of the level of risk tolerance which forms the basis of determining the bank's business exposure and there by the amount of capital required. They also provide 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 consisting various committees and departments review and ensure adequacy of capital held by the bank either by influencing capital or risk exposures.