

EXCEL DEVELOPMENT BANK LIMITED
DISCLOSURES UNDER CAPITAL ADEQUACY FRAMEWORK OF NRB (BASEL II)
AS ON 30 CHAITRA 2076 (12 APRIL 2020)

1. CAPITAL STRUCTURE AND CAPITAL ADEQUACY
I. TIER-1 CAPITAL AND BREAKDOWN OF ITS COMPONENTS:

		NPR('000)
S.N.	Particulars	Amount
1	Paid up Equity Share Capital	692,673.98
2	Irredeemable Non-cumulative preference shares	-
3	Share Premium	4,890.59
4	Proposed Bonus Equity Shares	-
5	Statutory General Reserves	187,996.69
6	Retained Earnings	155,403.43
7	Un-audited current year cumulative profit/(loss)	-
8	Capital Redemption Reserve	-
9	Capital Adjustment Reserve	-
10	Dividend Equalization Reserves	-
11	Other Free Reserve	-
12	Less: Goodwill	-
13	Less: Deferred Tax Assets	11,486.04
14	Less: Fictitious Assets	-
15	Less: Investment in equity in licensed Financial Institutions	-
16	Less: Investment in equity of institutions with financial interests	-
17	Less: Investment in equity of institutions in excess of limits	-
18	Less: Investments arising out of underwriting commitments	-
19	Less: Reciprocal crossholdings	-
20	Less: Purchase of land & building in excess of limit and unutilized	11,508.32
21	Less: Other Deductions	-
Total Core Capital		1,017,970.33

II. TIER-2 CAPITAL AND A BREAKDOWN OF ITS COMPONENTS:

		NPR('000)
S.N.	Particulars	Amount
1	Cumulative and/or Redeemable Preference Share	-
2	Subordinated Term Debt	-
3	Hybrid Capital Instruments	-
4	General loan loss provision	80,863.19
5	Exchange Equalization Reserve	-
6	Investment Adjustment Reserve	1,446.76
7	Asset Revaluation Reserve	-
8	Other Reserves	-
Total Supplementary Capital		82,309.96

III. INFORMATION ABOUT SUBORDINATE TERM DEBT

The Bank does not have any subordinated Term Debt

IV. DEDUCTION FROM CAPITAL

NPR('000)

Particulars	Amount
Deferred Tax Assets	11,486.04
Purchase of land & building in excess of limit and unutilized	11508.321

V. TOTAL QUALIFYING CAPITAL

NPR('000)

Particulars	Amount
Total Core Capital(Tier I)	1,017,970.33
Total Supplementary Capital(Tier II)	82,309.96
Total Capital Fund(Tier I + Tier II)	1,100,280.28

VI. CAPITAL ADEQUACY RATIO

Particulars	Percentage
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	11.85%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	12.81%

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

The bank considers the capital adequacy requirement pursuant to the provision set by NRB. The Tier 1 Capital ratio of the bank as at Chaitra 2076 is 11.85% and the total capital ratio is 12.81%. The bank in its strategic planning cautiously considers the capital adequacy and projects capital adequacy required for the organization's growth.

2. RISK EXPOSURE

i. Risk Weighted Exposure for Credit Risk, Market Risk and Operational Risk

NPR('000)

S.N	Particulars	Amount
a	Risk Weighted Exposure for Credit Risk	7,980,082.19
b	Risk Weighted Exposure for Operational Risk	608,416.02
c	Risk Weighted Exposure for Market Risk	1,272.75
Total Risk Weighted Exposures (Before adjustments of Pillar II)		8,589,770.97
Adjustments under Pillar II		
SRP 6.4a (5)	ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	-
SRP 6.4a (6)	Add.....% of the total deposit due to insufficient Liquid Assets	-
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 2-5% of gross income	-

SRP 6.4a (9)	If overall risk management policies and procedures are not satisfactory. Add% of RWE	-
SRP 6.4a (10)	If desired level of disclosure requirement has not been achieved, Add.....% of RWE	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		8,589,770.97

ii. Risk Weighted Exposure under each 11 Categories of Credit Risk

		NPR('000)
Particulars	Amount	
Claims on Government and Central Bank	-	
Claims on other official entities	-	
Claims on Banks	271,764.46	
Claims on Corporate and Securities Entities	2,336,964.35	
Claims on Regulatory Retail Portfolio	2,439,409.60	
Claims secured by residential properties	681,552.44	
Claims secured by Commercial real estate	407,293.76	
Past due claims	213,554.22	
High Risk claims	660,210.09	
Other Assets	838,683.11	
Off Balance Sheet Items	130,650.17	
TOTAL	7,980,082.19	

iii. Total Risk Weighted Exposure Calculation Table:

(Rs. in '000)

A. Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=d*e
Cash Balance	377,464.03			377,464.03	0%	-
Balance With Nepal Rastra Bank	176,537.12			176,537.12	0%	-
Gold				-	0%	-
Investment in Nepalese Government Securities				-	0%	-
All Claims on Government of Nepal				-	0%	-
Investment in Nepal Rastra Bank securities				-	0%	-
All claims on Nepal Rastra Bank				-	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)				-	0%	-
Claims on Foreign Government and			-	-	20%	-

Central Bank (ECA - 2)						
Claims on Foreign Government and Central Bank (ECA - 3)			-	-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)			-	-	100%	-
Claims on Foreign Government and Central Bank (ECA - 7)			-	-	150%	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework				-	0%	-
Claims on Other Multilateral Development Banks			-	-	100%	-
Claims on Domestic Public Sector Entities			-	-	100%	-
Claims on Public Sector Entity (ECA 0-1)			-	-	20%	-
Claims on Public Sector Entity (ECA 2)			-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)			-	-	100%	-
Claims on Public Sector Entity (ECA 7)			-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	1,358,822.29		-	1,358,822.29	20%	271,764.46
Claims on domestic banks that do not meet capital adequacy requirements	20,636.14	20,636.14	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)			-	-	20%	-
Claims on foreign bank (ECA Rating 2)			-	-	50%	-
Claims on foreign bank (ECA Rating 3-6)			-	-	100%	-
Claims on foreign bank (ECA Rating 7)			-	-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a			-	-	20%	-

buffer of 1% above their respective regulatory capital requirement						
Claims on Domestic Corporates	2,336,964.35		-	2,336,964.35	100%	2,336,964.35
Claims on Foreign Corporates (ECA 0-1)			-	-	20%	-
Claims on Foreign Corporates (ECA 2)			-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)			-	-	100%	-
Claims on Foreign Corporates (ECA 7)			-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	3,274,693.77		22,147.64	3,252,546.13	75%	2,439,409.60
Claims fulfilling all criterion of regularity retail except granularity			-	-	100%	-
Claims secured by residential properties	1,102,489.24		-	1,102,489.24	60%	661,493.54
Claims not fully secured by residential properties			-	-	150%	-
Claims secured by residential properties (Overdue)	32,190.54	12,131.64	-	20,058.90	100%	20,058.90
Claims secured by Commercial real estate	407,293.76		-	407,293.76	100%	407,293.76
Past due claims (except for claims secured by residential properties)	258,597.64	116,228.16	-	142,369.48	150%	213,554.22
High Risk claims	440,140.06		-	440,140.06	150%	660,210.09
Lending Against Securities (Bonds & Shares)	89,674.71		-	89,674.71	100%	89,674.71
Investments in equity and other capital instruments of institutions listed in stock exchange	101,062.74		-	101,062.74	100%	101,062.74
Investments in equity and other capital instruments of institutions not listed in the stock exchange	80,100.00		-	80,100.00	150%	120,150.00
Staff loan secured by residential property				-	50%	-

Interest Receivable/claim on government securities				-	0%	-
Cash in transit and other cash items in the process of collection				-	20%	-
Other Assets (as per attachment)	527,795.67	-	-	527,795.67	100%	527,795.67
TOTAL (A)	10,584,462.05	148,995.94	22,147.64	10,413,318.47		7,849,432.03

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Revocable Commitments				-	0%	-
Bills Under Collection				-	0%	-
Forward Exchange Contract Liabilities			-	-	10%	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	13,962.30		-	13,962.30	20%	2,792.46
Foreign counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign counterparty (ECA Rating 2)			-	-	50%	-
Foreign counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign counterparty (ECA Rating 7)			-	-	150%	-
LC Commitments With Original Maturity Over 6 months domestic counterparty			-	-	50%	-
Foreign counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign counterparty (ECA Rating 2)			-	-	50%	-
Foreign counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign counterparty (ECA Rating 7)			-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	52,236.00		-	52,236.00	50%	26,118.00
Foreign counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign counterparty (ECA Rating 2)			-	-	50%	-

Foreign counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign counterparty (ECA Rating 7)			-	-	150%	-
Underwriting commitments			-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral			-	-	100%	-
Repurchase Agreements, Assets sale with recourse			-	-	100%	-
Advance Payment Guarantee			-	-	100%	-
Financial Guarantee			-	-	100%	-
Acceptances and Endorsements			-	-	100%	-
Unpaid portion of Partly paid shares and Securities			-	-	100%	-
Irrevocable Credit commitments (short term)	508,698.53		-	508,698.53	20%	101,739.71
Irrevocable Credit commitments (long term)			-	-	50%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement				-	20%	-
Other Contingent Liabilities			-	-	100%	-
Unpaid Guarantee Claims			-	-	200%	-
TOTAL (B)	574,896.83	-	-	574,896.83		130,650.17
Total RWE for credit Risk Before Adjustment (A) + (B)	11,159,358.88	148,995.94	22,147.64	10,988,215.30		7,980,082.19
<u>Adjustments under Pillar II</u>						
SRP 6.4a(3) - Add 10% of the loans & facilities in excess of Single Obligor Limits to RWE						-
SRP 6.4a(4) - Add 1% of the contract (sale) value in case of the sale of credit with recourse to RWE						-
Total RWE for Credit Risk after Bank's adjustments under Pillar II	11,159,358.88	148,995.94	22,147.64	10,988,215.30		7,980,082.19

iv. Amount of Non-Performing Assets (Gross and Net Amount)

(NPR'000)

Particulars	Gross Amount	Provision	Net Amount
Substandard	133,626.91	33,406.73	100,220.18
Doubtful	124,416.41	62,208.20	62,208.20
Loss	32,744.87	32,744.87	-
Total	290,788.18	128,359.80	162,428.38

v. Non-Performing Assets (NPA) Ratios

Particulars	Percentage
Gross NPA to Gross Advances	3.66
Net NPA to Net Advances	2.10

vi. Movement of Non-Performing Assets

(NPR'000)

Particulars	Opening Balance (Poush 2076)	Opening Balance (chaitra 2076)	Movement
Substandard	24,381.20	133,626.91	109,245.70
Doubtful	24,381.20	124,416.41	100,035.20
Loss	24,381.20	32,744.87	8,363.66
Total	73,143.61	290,788.18	217,644.57

vii. Write off loans and Interest Suspense

During 3rd quarter 2076/77 the bank has not write off any loans and advances.

viii. Movement in Loan Loss Provision

(NPR'000)

Particulars	Opening Balance (Poush 2076)	Opening Balance (chaitra 2076)	Movement
Pass	74,630.31	75,424.90	794.59
Watchlist	7,979.79	5,438.29	(2,541.50)
Substandard	2,441.40	33,406.73	30,965.33
Doubtful	1,826.77	62,208.20	60,381.44
Loss	24,381.20	32,744.87	8,363.66
Total	111,259.47	209,222.99	97,963.52

ix. Movement in Interest Suspense**(NPR'000)**

Particulars	Opening Balance (Poush 2076)	Opening Balance (Chaitra 2076)	Movement
Interest Suspense	66,390.56	134,680.92	68,290.36

x. Details of Additional Loan Loss Provision**(NPR'000)**

Particulars	Movement
Pass	794.59
Watchlist	(2,541.50)
Substandard	30,965.33
Doubtful	60,381.44
Loss	8,363.66
Total	97,963.52

xi. Segregation of the Bank's Investment portfolio

Investments are segregated as under:

(NPR'000)

Particulars	Amount
Investment securities measured at amortized cost	-
Investment in equity measured at FVTOCI	181,162.74
Investment in unquoted associates	-
Other Trading Assets	-
Total	181,162.74

3. Risk Management Function

The bank has a risk management system to identify, assess, monitor the risk inherent in banking operation such as credit risk, market risk, liquidity risk, operation risk, capital adequacy and provide appropriate directions and guidelines to the management for mitigation of risk. A risk management system incorporating every area has been formed for effective risk management.

i. Credit Risk

The bank has Credit policy Guidelines, standardized form for analysis of risk and credit worthiness, inspection and supervision before the loan approval, delegation of approving authority to various level and compliance of NRB directive is ensured. Risk Weighted Exposure for Credit Risk has been calculated as per NRB Capital Adequacy Framework.

ii. Operation Risk

The bank has formed various policies for mitigating the operation risk like Financial Administration bylaws, Employee Bylaws, Operation Manual, AML/CFT policy. Risk Weighted Exposure for Operation Risk has been calculated as per NRB Capital Adequacy Framework.

iii. Market Risk

Finance Department act proactively to cope up with the market risk. Risk Weighted Exposure for market risk has been calculated as per the NRB capital Adequacy Framework.

iv. Liquidity Risk

To mitigate the liquidity risk, the bank daily monitors the liquidity position. Periodic review of gap over the assets and liabilities management is performed.

v. Reputational Risk

The management committee is responsible for protecting the bank's reputation and ensures bank does not take any activity that may cause material damage to reputation of the bank. Further, the bank has appointed the information officer.