

**EXCEL DEVELOPMENT BANK LIMITED**  
**DISCLOSURES UNDER CAPITAL ADEQUACY FRAMEWORK OF NRB (BASEL II)**  
**AS ON 30 ASHWIN 2077 (16 OCTOBER 2020)**

**1. CAPITAL STRUCTURE AND CAPITAL ADEQUACY**

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

**NPR('000)**

<b>S.N</b>	<b>Particulars</b>	<b>Amount</b>
1	Paid up Equity Share Capital	811,121.22
2	Irredeemable Non-cumulative preference shares	-
3	Share Premium	4,890.59
4	Proposed Bonus Equity Shares	-
5	Statutory General Reserves	178,329.53
6	Retained Earnings	35,038.34
7	Un-audited current year cumulative profit/(loss)	56,440.33
8	Capital Redemption Reserve	-
9	Capital Adjustment Reserve	-
10	Dividend Equalization Reserves	-
11	Other Free Reserve	-
12	Less: Goodwill	-
13	Less: Deferred Tax Assets	-
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	-
<b>Total Core Capital</b>		<b>1,074,311.69</b>

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

**NPR('000)**

<b>S.N</b>	<b>Particulars</b>	<b>Amount</b>
1	Cumulative and/or Redeemable Preference Share	-
2	Subordinated Term Debt	-
3	Hybrid Capital Instruments	-
4	General loan loss provision	111,497.65
5	Exchange Equalization Reserve	59.54
6	Investment Adjustment Reserve	-

7	Asset Revaluation Reserve	-
8	Other Reserves	-
<b>Total Supplementary Capital</b>		<b>111,557.19</b>

### 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		-
Purchase of land & building in excess of limit and unutilized		11,508.32

### V. TOTAL QUALIFYING CAPITAL

		NPR('000)
Particulars		Amount
Total Core Capital(Tier I)		1,074,311.69
Total Supplementary Capital(Tier II)		111,557.19
Total Capital Fund(Tier I + Tier II)		1,185,868.88

### VI. CAPITAL ADEQUACY RATIO

Particulars	Percentage
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	11.36%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	12.54%

### 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 Ashwin end 2077 is 11.36% and the total capital ratio is 12.54%. 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	8,481,248.23
b	Risk Weighted Exposure for Operational Risk	608,416.02

c	Risk Weighted Exposure for Market Risk	549.05
<b>Total Risk Weighted Exposures (Before adjustments of Pillar II)</b>		<b>9,090,213.31</b>
<b>Adjustments under Pillar II</b>		
<b>SRP 6.4a (5)</b>	ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	-
<b>SRP 6.4a (6)</b>	Add.....% of the total deposit due to insufficient Liquid Assets	-
<b>SRP 6.4a (7)</b>	Add RWE equivalent to reciprocal of capital charge of 2% of gross income	96,327.10
<b>SRP 6.4a (9)</b>	If overall risk management policies and procedures are not satisfactory, Add 2% of RWE	181,804.27
<b>SRP 6.4a (10)</b>	If desired level of disclosure requirement has not been achieved, Add 1% of RWE	90,902.13
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)</b>		<b>9,459,246.81</b>

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

<b>Particulars</b>	<b>NPR('000)</b>
	<b>Amount</b>
Claims on Government and Central Bank	-
Claims on other official entities	-
Claims on Banks	370,284.90
Claims on Corporate and Securities Entities	2,225,204.22
Claims on Regulatory Retail Portfolio	2,359,757.58
Claims secured by residential properties	694,723.15
Claims secured by Commercial real estate	323,547.14
Past due claims	197,913.94
High Risk claims	690,043.10
Other Assets	1,378,199.94
Off Balance Sheet Exposures	241,574.26
<b>TOTAL</b>	<b>8,481,248.23</b>

**iii. Total Risk Weighted Exposure Calculation Table:**

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	519,148.52			519,148.52	0%	-
Balance With Nepal Rastra Bank	321,588.12			321,588.12	0%	-
Gold	-			-	0%	-
Investment in Nepalese Government Securities	200,000.00			200,000.00	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 Central Bank (ECA -2)	-		-	-	20%	-
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%	-

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
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	1,851,424.52		-	1,851,424.52	20%	370,284.90
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%	-

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
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 buffer of 1% above their respective regulatory capital requirement	-		-	-	20%	-
Claims on Domestic Corporates	2,225,204.22		-	2,225,204.22	100%	2,225,204.22
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)	3,165,672.49		19,329.05	3,146,343.44	75%	2,359,757.58
Claims fulfilling all criterion of regularity retail except granularity	-		-	-	100%	-

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
Claims secured by residential properties	1,096,466.99		-	1,096,466.99	60%	657,880.20
Claims not fully secured by residential properties	-		-	-	150%	-
Claims secured by residential properties (Overdue)	73,104.33	36,261.38	-	36,842.95	100%	36,842.95
Claims secured by Commercial real estate	323,547.14		-	323,547.14	100%	323,547.14
Past due claims (except for claims secured by residential properties)	346,364.60	214,421.97	-	131,942.63	150%	197,913.94
High Risk claims	460,028.73		-	460,028.73	150%	690,043.10
Lending Against Securities (Bonds & Shares)	396,566.19		-	396,566.19	100%	396,566.19
Investments in equity and other capital instruments of institutions listed in stock exchange	164,814.54		-	164,814.54	100%	164,814.54
Investments in equity and other capital instruments of institutions not listed in the stock exchange	180,100.00		-	180,100.00	150%	270,150.00
Staff loan secured by residential property				-	50%	-

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
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)	552,005.12	5,335.90	-	546,669.22	100%	546,669.22
<b>TOTAL (A)</b>	<b>11,896,671.65</b>	<b>276,655.39</b>	<b>19,329.05</b>	<b>11,600,687.21</b>		<b>8,239,673.98</b>

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	5,139.88		-	5,139.88	20%	1,027.98
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%	-



<b>B. Off Balance Sheet Exposures</b>	<b>Book Value</b>	<b>Specific Provision</b>	<b>Eligible CRM</b>	<b>Net Value</b>	<b>Risk Weight</b>	<b>Risk Weighted Exposures</b>
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	46,501.00		-	46,501.00	50%	23,250.50
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%	-
Underwriting commitments			-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral			-	-	100%	-
Repurchase Agreements, Assets sale with recourse			-	-	100%	-

<b>B. Off Balance Sheet Exposures</b>	<b>Book Value</b>	<b>Specific Provision</b>	<b>Eligible CRM</b>	<b>Net Value</b>	<b>Risk Weight</b>	<b>Risk Weighted Exposures</b>
Advance Payment Guarantee	20,000.00		-	20,000.00	100%	20,000.00
Financial Guarantee			-	-	100%	-
Acceptances and Endorsements			-	-	100%	-
Unpaid portion of Partly paid shares and Securities			-	-	100%	-
Irrevocable Credit commitments (short term)	944,418.85		-	944,418.85	20%	188,883.77
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	8,412.01		-	8,412.01	100%	8,412.01
Unpaid Guarantee Claims			-	-	200%	-
<b>TOTAL (B)</b>	<b>1,024,471.74</b>	<b>-</b>	<b>-</b>	<b>1,024,471.74</b>		<b>241,574.26</b>
<b>Total RWE for credit Risk Before Adjustment (A) + (B)</b>	<b>12,921,143.39</b>	<b>276,655.39</b>	<b>19,329.05</b>	<b>12,625,158.95</b>		<b>8,481,248.23</b>
<b><u>Adjustments under Pillar II</u></b>						
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						-

<b>B. Off Balance Sheet Exposures</b>	<b>Book Value</b>	<b>Specific Provision</b>	<b>Eligible CRM</b>	<b>Net Value</b>	<b>Risk Weight</b>	<b>Risk Weighted Exposures</b>
<b>Total RWE for Credit Risk after Bank's adjustments under Pillar II</b>	<b>12,921,143.39</b>	<b>276,655.39</b>	<b>19,329.05</b>	<b>12,625,158.95</b>		<b>8,481,248.23</b>

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

**(NPR'000)**

<b>Particulars</b>	<b>Gross Amount</b>	<b>Provision</b>	<b>Net Amount</b>
Substandard	134,976.58	33,744.15	101,232.44
Doubtful	99,296.52	49,648.26	49,648.26
Loss	166,348.58	166,348.58	-
<b>Total</b>	<b>400,621.68</b>	<b>249,740.98</b>	<b>150,880.70</b>

**v. Non-Performing Assets (NPA) Ratios**

<b>Particulars</b>	<b>Percentage</b>
Gross NPA to Gross Advances	4.92
Net NPA to Net Advances	1.94

**vi. Movement of Non-Performing Assets**

**(NPR'000)**

<b>Particulars</b>	<b>Closing Balance (Ashwin 2077)</b>	<b>Closing Balance (Ashadh 2077)</b>	<b>Movement</b>
Substandard	134,976.58	123,917.07	11,059.51
Doubtful	99,296.52	104,087.08	(4,790.56)
Loss	166,348.58	108,084.69	58,263.89
<b>Total</b>	<b>400,621.68</b>	<b>336,088.84</b>	<b>64,532.84</b>

**vii. Write off loans and Interest Suspense**

During 1st quarter 2077/78, the bank has not write off any loans and advances.

**viii. Movement in Loan Loss Provision****(NPR'000)**

<b>Particulars</b>	<b>Closing Balance (Ashadh 2077)</b>	<b>Closing Balance (Ashwin 2077)</b>	<b>Movement</b>
Pass	63,033.87	68,769.04	5,735.17
Watchlist	92,132.44	43,670.97	(48,461.47)
Substandard	30,979.27	33,744.15	2,764.88
Doubtful	52,043.54	49,648.26	(2,395.28)
Loss	108,084.69	166,348.58	58,263.89
<b>Total</b>	<b>346,273.81</b>	<b>362,181.00</b>	<b>15,907.19</b>

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

<b>Particulars</b>	<b>Closing Balance (Ashadh 2077)</b>	<b>Closing Balance (Ashwin 2077)</b>	<b>Movement</b>
Interest Suspense	109,568.85	131,039.98	24,471.13

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

<b>Particulars</b>	<b>Movement</b>
Pass	-
Watchlist	-
Substandard	-
Doubtful	-
Loss	-
<b>Total</b>	<b>-</b>

**xi. Segregation of the Bank's Investment portfolio**

Investments are segregated as under:

**(NPR'000)**

<b>Particulars</b>	<b>Amount</b>
Investment securities measured at amortized cost	-
Investment in equity measured at FVTOCI	544,914.54
Investment in unquoted associates	-
Other Trading Assets	-
<b>Total</b>	<b>544,914.54</b>

### **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 Risk Management Policy, 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 team along with all staffs are 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.