

EXCEL DEVELOPMENT BANK LIMITED
DISCLOSURES UNDER CAPITAL ADEQUACY FRAMEWORK OF NRB (BASEL II)
AS ON 31 ASHADH 2078 (15 JULY 2021)

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	811,121.22
2	Irredeemable Non-cumulative preference shares	-
3	Share Premium	4,890.59
4	Proposed Bonus Equity Shares	-
5	Statutory General Reserves	191,514.62
6	Retained Earnings	100,056.38
7	Un-audited current year cumulative profit/(loss)	137,054.13
8	Capital Redemption Reserve	-
9	Capital Adjustment Reserve	-
10	Dividend Equalization Reserves	-
11	Other Free Reserve	-
12	Less: Goodwill	-
13	Less: Deferred Tax Assets	4,811.59
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	75,555.48
21	Less: Other Deductions	-
Total Core Capital		1,164,269.88

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	131,283.81
5	Exchange Equalization Reserve	22.79
6	Investment Adjustment Reserve	-
7	Asset Revaluation Reserve	-
8	Other Reserves	-
Total Supplementary Capital		131,306.60

III. INFORMATION ABOUT SUBORDINATE TERM DEBT

The Bank does not have any subordinated Term Debt

IV. DEDUCTION FROM CAPITAL

Particulars	NPR('000)
	Amount
Deferred Tax Assets	4,811.59
Purchase of land & building in excess of limit and unutilized	75,555.48

V. TOTAL QUALIFYING CAPITAL

Particulars	NPR('000)
	Amount
Total Core Capital(Tier I)	1,164,269.88
Total Supplementary Capital(Tier II)	131,306.60
Total Capital Fund(Tier I + Tier II)	1,295,553.69

VI. CAPITAL ADEQUACY RATIO

Particulars	Percentage
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	11.09%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	12.34%

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 Ashadh end 2078 is 11.09% and the total capital ratio is 12.34%. The bank in its strategic planning cautiously considers the capital adequacy and manage capital adequacy required for the organization's growth.

2. RISK EXPOSURE

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

S.N	Particulars	NPR('000)
		Amount
a	Risk Weighted Exposure for Credit Risk	9,328,493.31
b	Risk Weighted Exposure for Operational Risk	745,060.41
c	Risk Weighted Exposure for Market Risk	345.42
Total Risk Weighted Exposures (Before adjustments of Pillar II)		10,073,899.14
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% of gross income	124,765.80
SRP 6.4a (9)	If overall risk management policies and procedures are not satisfactory, Add 2% of RWE	201,477.98
SRP 6.4a (10)	If desired level of disclosure requirement has not been achieved, Add 1% of RWE	100,738.99
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		10,500,881.92

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

Particulars	NPR('000) Amount
Claims on Government and Central Bank	-
Claims on other official entities	-
Claims on Banks	441,607.26
Claims on Corporate and Securities Entities	2,396,743.06
Claims on Regulatory Retail Portfolio	3,170,246.62
Claims secured by residential properties	808502.24
Claims secured by Commercial real estate	390,349.74
Past due claims	423,169.06
High Risk claims	244,349.13
Other Assets	804,602.32
Off Balance Sheet Exposures	250,137.68
TOTAL	9,328,493.31

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	470,152.29			470,152.29	0%	-
Balance With Nepal Rastra Bank	284,576.63			284,576.63	0%	-
Gold	-			-	0%	-
Investment in Nepalese Government Securities	540,000.00			540,000.00	0%	-
All Claims on Government of Nepal	-			-	0%	-

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
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%	-
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%	-

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 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	2,208,036.30		-	2,208,036.30	20%	441,607.26
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%	-

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 incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-		-	-	20%	-
Claims on Domestic Corporates	2,396,743.07		-	2,396,743.07	100%	2,396,743.07
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)	4,283,432.59		56,437.11	4,226,995.49	75%	3,170,246.62
Claims fulfilling all criterion of regularity retail except granularity			-	-	100%	-
Claims secured by residential properties	1,254,722.26		-	1,254,722.26	60%	752,833.36
Claims not fully secured by residential properties			-	-	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 secured by residential properties (Overdue)	76,634.35	20,965.47	-	55,668.88	100%	55,668.88
Claims secured by Commercial real estate	390,349.74		-	390,349.74	100%	390,349.74
Past due claims (except for claims secured by residential properties)	465,854.14	183,741.43	-	282,112.71	150%	423,169.06
High Risk claims	265,857.47		-	265,857.47	150%	398,786.20
Lending Against Securities (Bonds & Shares)	244,349.13		-	244,349.13	100%	244,349.13
Investments in equity and other capital instruments of institutions listed in stock exchange	63,051.29		-	63,051.29	100%	63,051.29
Investments in equity and other capital instruments of institutions not listed in the stock exchange	200,100.00		-	200,100.00	150%	300,150.00
Staff loan secured by residential property	93,675.03			93,675.03	50%	46,837.52
Interest Receivable/claim on government securities				-	0%	-
Cash in transit and other cash items in the process of collection				-	20%	-

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
Other Assets (as per attachment)	394,563.51	-	-	394,563.51	100%	394,563.51
TOTAL (A)	13,652,733.94	225,343.04	56,437.11	13,370,953.79		9,078,355.63

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	26,261.32		-	26,261.32	20%	5,252.26
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%	-

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Foreign counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign counterparty (ECA Rating 7)			-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	88,872.17		-	88,872.17	50%	44,436.09
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	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%	-

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Irrevocable Credit commitments (short term)	860,186.63		-	860,186.63	20%	172,037.33
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%	-
TOTAL (B)	1,003,732.13	-	-	1,003,732.13		250,137.68
Total RWE for credit Risk Before Adjustment (A) + (B)	14,656,466.07	225,343.04	56,437.11	14,374,685.92		9,328,493.31
<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	14,656,466.07	225,343.04	56,437.11	14,374,685.92		9,328,493.31

iv. Amount of Non-Performing Assets (Gross and Net Amount)**(NPR'000)**

Particulars	Gross Amount	Provision	Net Amount
Substandard	150,246.58	37,561.64	112,684.93
Doubtful	26,326.22	13,163.11	13,163.11
Loss	124,181.51	124,181.51	-
Total	300,754.31	174,906.27	125,848.04

v. Non-Performing Assets (NPA) Ratios

Particulars	Percentage
Gross NPA to Gross Advances	3.15
Net NPA to Net Advances	1.32

vi. Movement of Non-Performing Assets**(NPR'000)**

Particulars	Closing Balance (Chaitra 2077)	Closing Balance (Ashad 2078)	Movement
Substandard	71,191.38	150,246.58	79,055.20
Doubtful	26,744.25	26,326.22	(418.03)
Loss	148,318.75	124,181.51	(24,137.24)
Total	246,254.39	300,754.31	54,499.92

vii. Write off loans and Interest Suspende

The bank has not written off any loans & advances during the fourth quarter of fiscal year 2077/78.

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

Particulars	Closing Balance (Chaitra 2077)	Closing Balance (Ashad 2078)	Movement
Pass	83,543.94	112,163.49	28,619.55
Watch list	39,461.68	53,476.37	14,014.69
Substandard	17,797.85	37,561.64	19,763.79
Doubtful	13,372.13	13,163.11	(209.02)

Particulars	Closing Balance (Chaitra 2077)	Closing Balance (Ashad 2078)	Movement
Loss	148,318.75	124,181.51	(12,377.11)
Total	302,494.35	340,546.13	38,051.78

ix. Movement in Interest Suspense

(NPR'000)

Particulars	Closing Balance (Chaitra 2077)	Closing Balance (Ashad 2078)	Movement
Interest Suspense	107,657.09	126,205.20	18,548.11

x. Details of Additional Loan Loss Provision

(NPR'000)

Particulars	Movement
Pass	-
Watch list	-
Substandard	-
Doubtful	-
Loss	-
Total	-

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	308,933.57
Investment in unquoted associates	-
Other Trading Assets	540,000.00
Total	848,933.57

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 approved Risk Management Policy, Credit policy Guidelines and standardized form for analyzing the risk and credit worthiness. The bank's Credit Risk Unit is structured for inspection and supervision of loan proposals before the loan approval. Furthermore, 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. Similarly, periodic review of gap over the assets and liabilities is also 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 also has appointed information officer.