

Capital Adequacy Disclosures

As Per the Nepal Rastra Bank Capital Adequacy Framework 2007 (Updated July 2008)

Fourth Quarter End of F.Y. 2015/16

Tier 1 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Paid up equity share capital	3,937.60
2 Irredeemable preference shares	6,436.80
3 Statutory general reserves	4,408.78
4 Retained earnings	415.31
5 Unaudited current year cumulative profit	2,577.21
6 Other free reserve	0.23
7 Less: Investment in equity of licensed financial institutions	79.65
8 Less: Investment in equity of institutions with financial interest	32.08
9 Debenture redemption reserve	920.00
Total	18,584.19

Tier 2 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Subordinated term debt	1,380.00
2 General loan loss provision	825.78
3 Investment adjustment reserve	1.90
4 Exchange equalization reserve	57.82
Total	2,265.50

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, six percent debentures with maturity period of more than five years and is eligible to be reckoned as capital fund. At the reporting date, the remaining outstanding liability is Rs. 1.38 billion and the redemption reserve created against the bond is Rs. 920 million.

Total Qualifying Capital

Particulars	Rs. In Million
1 Core (Tier 1) Capital	18,584.00
2 Supplementary (Tier 2) Capital	2,265.00
Total	20,849.00

Capital Adequacy Ratio

12.84%

Risk Weighted Exposures

Particulars	Rs. In Million
1 Risk weighted exposure for credit risk	146,336.16
2 Risk weighted exposure for operational risk	8,771.59
3 Risk weighted exposure for market risk	518.04
Total	155,625.78

Risk weighted exposure under each of 11 categories of credit risk

Particulars	Risk Weighted Exposure	(In Million)
1 Claims on government & central bank		-
2 Claims on other official entities		-
3 Claims on banks		3,429.01
4 Claims on corporate & securities firms		109.03
5 Claims on regulatory retail portfolio		-
6 Claims secured by residential properties		-
7 Claims secured by commercial real state		-
8 Past due claims		-
9 High risk claims		119,153.35
10 Other assets		12,968.07
11 Off balance sheet items		10,666.42
Total		146,325.88

Total risk weighted exposure calculation table

Particulars	Rs. In Million
1 Total risk weighted exposures (after supervisory adjustment)	162,378.70
2 Total core (tier 1) capital	18,584.19
3 Total capital fund (tier 1 + tier 2)	20,849.69
4 Core capital to total risk weighted exposures	11.44%
5 Total capital fund to total risk weighted exposures	12.84%

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	486.58	323.58	163.00
2 Substandard loan	712.68	178.17	534.51
3 Doubtful loan	559.56	279.78	279.78
4 Loss loan	1,447.02	1,447.02	-
Total	3,205.85	2,228.55	977.30

NPA Ratio

Gross NPA to Gross loan and advance	3.85%
Net NPA to net loan and advance	1.23%

Movement of Non Performing Assets

Categories	This quarter (Rs.in Million)	Previous quarter (Rs.in Million)	Difference in Million
1 Reschedule/Restructured loan	486.58	621.11	(134.53)
2 Substandard loan	712.68	678.25	34.43
3 Doubtful loan	559.56	789.43	(229.87)
4 Loss loan	1,447.02	1,730.31	(283.29)
Total	3,205.85	3,819.10	(613.26)

Write-off Loan and Interest Suspense

Categories	Rs. In Million
1 Write-off Loan and Its Interest	3,431.20
2 Interest suspense	1,705.39
Total	5,136.59

Movement in Loan Loss Provision and Interest Suspense

Categories	This quarter (Rs.in Million)	Previous quarter (Rs.in Million)	Difference in Million
1 Loan loss provision	3,597.58	3,832.30	(234.71)
2 Interest suspense	1,705.39	2,040.91	(335.52)
Total	5,302.97	5,873.21	(570.23)

Detail of Additional Loan Loss Provision

Categories	This quarter (Rs.in Million)	Previous quarter (Rs.in Million)	Difference in Million
Additional loan loss provision	543	543	-

Segregation of investment portfolio

Categories	Amount in Million
1 Held for trading	-
2 Held to maturity	13,795.39
3 Available for sale	219.93
Total	14,015.32

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

ADBL has a permanent set up which reviews the bank's statutory capital requirement in line with its current and future risk exposures. This includes the board of directors as a whole, internal audit department, and the risk management department. In addition, there are five other committees which look into the issues more closely on both periodic and continuous basis. These are the board committee on Risk Management, the Audit Committee, and the management committee on Internal Capital Adequacy Assessment Process, Asset Liability Management Committee, and Loan Portfolio Management Committee. These, and established policies and procedures of the bank, provide a framework for the bank to assess the adequacy of its statutory capital requirement in line with the current and future possible risk exposures.

The bank conducts its operations based on the annual budget and programs approved by its board of directors. This is formulated by considering the level of risk tolerance which consequently determines the bank's business exposure and there by the amount of capital required for that. Throughout the year, it then functions as a guiding principle to assess the bank's statutory capital adequacy as reflected in the achievements of those targets. The framework mentioned above then adjusts the amount of capital held by the bank to meet the statutory requirement either by influencing the capital or risk exposure.