

Capital Adequacy Disclosures
As Per the Nepal Rastra Bank Capital Adequacy Framework 2015
First Quarter End of F.Y. 2016/017

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	2,992.52
5 Unaudited current year cumulative profit	422.39
6 Other 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	19,006.59

Tier 2 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Subordinated term debt	1,380.00
2 General loan loss provision	945.00
3 Investment adjustment reserve	1.90
4 Exchange equalization reserve	57.82
5 Deferred Tax Reserve	4.05
Total	2,388.77

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 reserve created against the bond is Rs. 920 million.

Total Qualifying Capital

Particulars	Rs. In Million
1 Core (Tier 1) Capital	19,006.59
2 Supplementary (Tier 2) Capital	2,388.77
Total	21,395.36

Capital Adequacy Ratio

16.71%

Risk Weighted Exposures

Particulars	Rs. In Million
1 Risk weighted exposure for credit risk	111,276.60
2 Risk weighted exposure for operational risk	9,902.56
3 Risk weighted exposure for market risk	231.16
Total	121,410.32

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		1,279.83
4 Claims on corporate & securities firms		324.62
5 Claims on regulatory retail portfolio		71,498.33
6 Claims secured by residential properties		2,535.12
7 Claims secured by commercial real state		301.57
8 Past due claims		6,998.73
9 High risk claims		-
10 Other assets		17,782.27
11 Off balance sheet items		10,556.13
Total		111,276.60

Total risk weighted exposure calculation table

Particulars	Rs. In Million
1 Total risk weighted exposures (after supervisory adjustment)	128,065.94
2 Total core (tier 1) capital	19,006.59
3 Total capital fund (tier 1 + tier 2)	21,395.36
4 Core capital to total risk weighted exposures	14.84%
5 Total capital fund to total risk weighted exposures	16.71%

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	433.63	303.54	130.09
2 Substandard loan	1,020.14	255.03	765.11
3 Doubtful loan	354.77	177.38	177.39
4 Loss loan	1,438.26	1,438.26	-
Total	3,246.80	2,174.21	1,072.59

NPA Ratio

Gross NPA to Gross loan and advance	3.83%
Net NPA to net loan and advance	1.32%

Movement of Non Performing Assets

Categories	This quarter (Rs.in Million)	Previous quarter (Rs.in Million)	Difference in Million
1 Reschedule/Restructured loan	433.63	486.58	(52.95)
2 Substandard loan	1,020.14	712.68	307.46
3 Doubtful loan	354.77	559.56	(204.79)
4 Loss loan	1,438.26	1,447.02	(8.76)
Total	3,246.80	3,205.85	40.95

Write-off Loan and Interest Suspense

Categories	Rs. In Million
1 Write-off Loan and Its Interest	3,397.10
2 Interest suspense	1,803.20
Total	5,200.30

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	3,662.00	3,597.58	64.42
2 Interest suspense	1,803.20	1,705.39	97.81
Total	5,465.20	5,302.97	162.23

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	11,336.30
3 Available for sale	350.17
Total	11,686.47

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.