

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

Tier 1 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Common Equity Tier 1 Capital	14,058.18
1.1 Paid up equity share capital	4,941.69
1.2 Statutory general reserves	4,408.78
1.3 Retained earnings	2,992.52
1.4 Unaudited current year cumulative profit	906.69
1.5 Debenture redemption reserve	920.00
1.6 Other reserve	0.23
1.7 Less: Investment in equity of licensed financial institutions	79.65
1.8 Less: Investment in equity of institutions with financial interest	32.08
2 Additional Tier 1 Capital	5,432.71
2.1 Irredeemable non-cumulative Preference Share Capital	5,432.71
Total	19,490.89

Tier 2 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Subordinated Term Debt	1,380.00
2 General Loan Loss Provision	952.58
3 Investment Adjustment Reserve	57.82
4 Exchange Equalization Reserve	1.90
5 Deferred Tax Reserve	4.05
Total	2,396.35

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 issued to Nepal Government with the following details having maturity period of more than five years and are eligible to be reckoned as Tier 2 capital fund.

S.N.	Amount in Rs.	Issued Date	Redemption Date	Outstanding Amount
1	460,000,000	2067.03.01	2072.03.01	-
2	460,000,000	2067.03.02	2073.03.01	-
3	460,000,000	2067.03.03	2074.03.01	460,000,000
4	460,000,000	2067.03.04	2075.03.01	460,000,000
5	460,000,000	2067.03.05	2076.03.01	460,000,000
Total		2,300,000,000		1,380,000,000

At the reporting date, the remaining outstanding liability is Rs. 1.38 billion and the redemption reserve created against the debenture is Rs. 920 million.

Total Qualifying Capital

Particulars	Rs. In Million
1 Core (Tier 1) Capital	19,490.89
1.1 Common Equity Tier 1 Capital	14,058.18
1.2 Additional Tier 1 Capital	5,432.71
2 Supplementary (Tier 2) Capital	2,396.35
Total Capital Fund (Tier 1 + Tier 2)	21,887.24

Risk Weighted Exposures

Particulars	Rs. In Million
1 Risk weighted exposure for credit risk	116,006.01
2 Risk weighted exposure for operational risk	9,902.56
3 Risk weighted exposure for market risk	674.96
Total	126,583.53

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	1,209.94
4 Claims on corporate & securities firms	137.25
5 Claims on regulatory retail portfolio	74,995.07
6 Claims secured by residential properties	2,747.24
7 Claims secured by commercial real state	697.42
8 Past due claims	9,495.35
9 High risk claims	-
10 Other assets	15,462.71
11 Off balance sheet items	11,261.03
Total	116,006.01

Total Risk Weighted Exposure Calculation Table

Particulars	Rs. In Million
1 Total Risk Weighted Exposures (After Supervisory Adjustment)	133,394.34
1.1 Total Risk Weighted Exposures (Prior to Supervisory Adjustment)	126,583.53
1.2 SRP 6.4 a (5) ALM Policies and Practices are not satisfactory, add 1% of net interest income to RWE	61.81
1.3 SRP 6.4 a (7) Add RWE equivalent to reciprocal of capital charge of 4% of gross income	2,951.50
1.4 SRP 6.4 a (9) Overall Risk Management Policies and Procedures are not Satisfactory. Add 3% of RWE	3,797.51
2 Total core (tier 1) capital	19,490.89
2.1 Common Equity Tier 1 Capital	14,058.18
2.2 Additional Tier 1 Capital	5,432.71
3 Total Supplementary (tier 2) Capital	2,396.35
4 Total Capital Fund (Tier 1 + Tier 2)	21,887.24
5 Common Equity Tier 1 Capital to Total Risk Weighted Exposures	10.54%
6 Core Capital to Total Risk Weighted Exposures	14.61%
7 Total Capital Fund to Total Risk Weighted Exposures	16.41%

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	432.69	302.88	129.81
2 Substandard loan	591.08	147.77	443.31
3 Doubtful loan	1,073.30	536.65	536.65
4 Loss loan	1,375.21	1,375.21	-
Total	3,472.28	2,362.52	1,109.77

NPA Ratio

Gross NPA to Gross loan and advance	3.83%
Net NPA to Net Loan and Advance	1.27%

Movement of Non Performing Assets

Categories	This quarter (Rs.in Million)	Previous quarter (Rs.in Million)	Difference in Million
1 Reschedule/Restructured loan	432.69	433.63	(0.94)
2 Substandard loan	591.08	1,020.14	(429.06)
3 Doubtful loan	1,073.30	354.77	718.53
4 Loss loan	1,375.21	1,438.26	(63.05)
Total	3,472.28	3,246.80	225.48

Write-off Loan and Interest Suspense

Categories	Rs. In Million
1 Write-off Loan and Its Interest	339.32
2 Interest suspense	1,926.93
Total	2,266.25

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	3,858.35	3,662.00	196.35
2 Interest suspense	1,926.93	1,803.20	123.73
Total	5,785.28	5,465.20	320.08

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	-

Note: In FY 2071/072, Rs. 543 million of additional loan loss provision has been created for the possible loan losses. It is additional to the regulatory requirement and is not related to any specific loan asset(s).

Segregation of investment portfolio

Categories	Amount in Million
1 Held for trading	-
2 Held to maturity	9,245.98
3 Available for sale	248.15
Total	9,494.13

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 consisting the board of directors as a whole, internal audit department, and the risk management department which reviews the bank's statutory capital requirement in line with its current and future risk exposures. In addition, there are five other committees that 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 committees such as the committee for Internal Capital Adequacy Assessment Process, Asset Liability Management Committee, and Loan Portfolio Management Committee. These, and the established policies and procedures of the bank, provide a framework to assess the adequacy of its statutory capital requirement in line with the current and 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 capital or risk exposure.