

**Capital Adequacy Disclosures**  
**As Per the Nepal Rastra Bank Capital Adequacy Framework 2015**  
**Third Quarter-end of F.Y. 2016/017**

**Tier-1 Capital and Breakdown of Its Components**

Particulars	Rs. In Million
<b>1 Common Equity Tier 1 Capital</b>	<b>15510.07</b>
1.1 Paid-up Equity Share Capital	7087.68
1.2 Equity Share Premium	542.17
1.3 Statutory General Reserves	4879.09
1.4 Retained Earnings	183.23
1.5 Unaudited Current Year Cummulative Profit	1574.28
1.6 Debenture Redemption Reserve	1380.00
1.7 Other Reserves	0.23
1.8 Less: Investment in Equity of Licensed Financial Institutions	104.52
1.9 Less: Investment in Equity of Institutions with Financial Interest	32.08
<b>2 Additional Tier 1 Capital</b>	<b>5432.71</b>
2.1 Irredeemable Non-Cumulative Preference Share Capital	5432.71
<b>Total</b>	<b>20942.78</b>

**Tier-2 Capital and Breakdown of Its Components**

Particulars	Rs. In Million
1 Subordinated Term Debt	1380.20
2 General Loan Loss Provision	1199.42
3 Investment Adjustment Reserve	4.37
4 Exchange Equalization Reserve	106.69
5 Deferred Tax Reserve	17.95
<b>Total</b>	<b>2708.62</b>

**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, 6 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	460000000	2067.03.01	2072.03.01	-
2	460000000	2067.03.02	2073.03.01	-
3	460000000	2067.03.03	2074.03.01	460000000
4	460000000	2067.03.04	2075.03.01	460000000
5	460000000	2067.03.05	2076.03.01	460000000
<b>Total</b>	<b>2300000000</b>			<b>1380000000</b>

At the reporting date, the remaining outstanding liability is Rs. 1.38 billion and the redemption reserve created against the debentue is Rs. 1,380 million.

**Total Qualifying Capital**

Particulars	Rs. In Million
1 Core (Tier-1) Capital	20942.78
1.1 Common Equity Tier-1 Capital	15510.07
1.2 Additional Tier-1 Capital	5432.71
2 Supplementary (Tier-2) Capital	2708.62
<b>Total Capital Fund (Tier 1 + Tier 2)</b>	<b>23651.40</b>

**Risk Weighted Exposures**

Particulars	Rs. In Million
1 Risk Weighted Exposure for Credit Risk	116054.23
2 Risk Weighted Exposure for Operational Risk	9939.58
3 Risk Weighted Exposure for Market Risk	116.47
<b>Total</b>	<b>126110.27</b>

**Risk Weighted Exposure under each of 11 Categories of Credit Risk**

Particulars	Risk Weighted Exposure (Rs. In Million)
1 Claims on Government and Central Bank	-
2 Claims on Other Official Entities	-
3 Claims on Banks	1128.36
4 Claims on Corporate and Securities Firms	156.06
5 Claims on Regulatory Retail Portfolio	82164.94
6 Claims Secured by Residential Properties	3414.20
7 Claims Secured by Commercial Real State	583.13
8 Past Due Claims	-
9 High Risk Claims	-
10 Other Assets	14849.55
11 Off-balance Sheet Items	13757.98
<b>Total</b>	<b>116054.23</b>

#### Total Risk Weighted Exposure Calculation Table

Particulars	Rs. In Million
1 Total Risk Weighted Exposures (After Supervisory Adjustment)	132937.29
1.1 Total Risk Weighted Exposures (Prior to Supervisory Adjustment)	126110.27
1.2 SRP 6.4 a (5) ALM Policies and Practices are not satisfactory, add 1% of net interest income to RWE	62.61
1.3 SRP 6.4 a (7) Add RWE equivalent to reciprocal of capital charge of 4% of Gross Income	2981.10
1.4 SRP 6.4 a (9) Overall Risk Management Policies and Procedures are not Satisfactory. Add 3% of RWE	3783.31
2 Total Core (Tier 1) Capital	20942.78
2.1 Common Equity Tier-1 Capital	15510.07
2.2 Additional Tier-1 Capital	5432.71
3 Total Supplementary (Tier-2) Capital	2708.62
4 Total Capital Fund (Tier-1 + Tier-2)	23651.40
5 Common Equity Tier-1 Capital to Total Risk Weighted Exposures	11.67%
6 Core Capital to Total Risk Weighted Exposures	15.75%
7 Total Capital Fund to Total Risk Weighted Exposures	17.79%
8 Leverage Ratio	14.29%

#### 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	352	352	0
2 Substandard Loan	510	128	383
3 Doubtful Loan	854	759	95
4 Loss Loan	1359	1386	(28)
<b>Total</b>	<b>3076</b>	<b>2625</b>	<b>450</b>

#### NPA Ratio

Gross NPA to Gross Loan and Advance	3.30%
Net NPA to Net Loan and Advance	0.51%

#### Movement of Non-Performing Assets

Categories	This Quarter (Rs.in Million)	Previous Quarter (Rs.in Million)	Difference (Rs. in Million)
1 Reschedule/Restructured loan	352	433	(80)
2 Substandard loan	510	591	(81)
3 Doubtful loan	854	1073	(219)
4 Loss loan	1359	1375	(17)
<b>Total</b>	<b>3076</b>	<b>3472</b>	<b>(397)</b>

#### Written-off Loan and Interest Suspense

Categories	Rs. In Million
1 Write-off Loan and Its Interest	3365.70
2 Interest suspense	2007.02
<b>Total</b>	<b>5372.72</b>

**Movement in Loan Loss Provision and Interest Suspense**

Categories	This Quarter (Rs.in Million)	Previous Quarter (Rs.in Million)	Difference (Rs. in Million)
1 Loan loss provision	4475.83	3858.35	617.48
2 Interest suspense	2007.02	1926.93	80.09
<b>Total</b>	<b>6482.85</b>	<b>5785.28</b>	<b>697.57</b>

**Detail of Additional Loan Loss Provision**

Categories	This Quarter (Rs.in Million)	Previous Quarter (Rs.in Million)	Difference (Rs. in Million)
Additional Loan Loss Provision	651	651	-

**Segregation of Investment Portfolio**

Categories	Amount in Million
1 Held-for-trading	-
2 Held-to-maturity	9412.14
3 Available-for-sale	291.66
<b>Total</b>	<b>9703.79</b>

**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 that review its statutory capital requirement in line with the 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 the 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 taking into account of the level of risk tolerance which consequently determines the bank's business exposure and there by the amount of capital required. Throughout the year, it then functions as a guiding principle to assess the bank's statutory capital adequacy as reflected in the achievements of targeted results. 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.