

Capital Adequacy Disclosures

As Per the Nepal Rastra Bank Capital Adequacy Framework 2015

Fourth Quarter-end of F.Y. 2020/21

Tier-1 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Common Equity Tier 1 Capital	23,396.53
1.01 Paid-up Equity Share Capital	10,989.93
1.02 Proposed Bonus Shares	-
1.03 Equity Share Premium	-
1.04 Statutory General Reserves	7,585.27
1.05 Retained Earnings	652.09
1.06 Unaudited Current Year Cummulative Profit	3,694.47
1.07 Debenture Redemption Reserve	866.53
1.08 Other Reserves	0.23
1.09 Less: Investment in Equity of Licensed Financial Institutions	(290.52)
1.1 Less: Investment in Equity of Institutions with Financial Interest	(101.47)
1.11 Less: Deferred Tax Asset	(0.00)
2 Additional Tier 1 Capital	5,432.71
2.1 Irredeemable Non-Cumulative Preference Share Capital	5,432.71
Total	28,829.24

Tier-2 Capital and Breakdown of Its Components

Particulars	Rs. In Million
1 Subordinated Term Debt	14,414.62
2 General Loan Loss Provision	1,988.33
3 Investment Adjustment Reserve	8.05
4 Exchange Equalization Reserve	104.01
5 Other Reserves	252.77
Total	16,767.78

Total Qualifying Capital

Particulars	Rs. In Million
1 Core (Tier-1) Capital	28,829.24
1.1 Common Equity Tier-1 Capital	23,396.53
1.2 Additional Tier-1 Capital	5,432.71
2 Supplementary (Tier-2) Capital	16,767.78
Total Capital Fund (Tier 1 + Tier 2)	45,597.02

Risk Weighted Exposures

Particulars	Rs. In Million
1 Risk Weighted Exposure for Credit Risk	176,995.64
2 Risk Weighted Exposure for Operational Risk	11,752.72
3 Risk Weighted Exposure for Market Risk	165.27
Total	188,913.63

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	2,509.51
4 Claims on Corporate and Securities Firms	-
5 Claims on Regulatory Retail Portfolio	95,490.68
6 Claims Secured by Residential Properties	3,883.44
7 Claims Secured by Commercial Real State	1,060.40
8 Past Due Claims	776.75
9 High Risk Claims	18,709.56
10 Other Assets	11,124.07
11 Off-balance Sheet Items	43,441.23
Total	176,995.64

Total Risk Weighted Exposure Calculation Table

Particulars	Rs. In Million
1 Total Risk Weighted Exposures (After Supervisory Adjustment)	197,108
1.1 Total Risk Weighted Exposures (Prior to Supervisory Adjustment)	188,914
1.2 SRP 6.4 a (5) ALM Policies and Practices are not satisfactory, add 1% of net interest income to RWE	67
1.3 SRP 6.4 a (7) Add RWE equivalent to reciprocal of capital charge of 4% of Gross Income	2,460
1.4 SRP 6.4 a (9) Overall Risk Management Policies and Procedures are not Satisfactory. Add 3% of RWE	5,667
2 Total Core (Tier 1) Capital	28,829
2.1 Common Equity Tier-1 Capital	23,397
2.2 Additional Tier-1 Capital	5,433
3 Total Supplementary (Tier-2) Capital	16,768
4 Total Capital Fund (Tier-1 + Tier-2)	45,597
5 Common Equity Tier-1 Capital to Total Risk Weighted Exposures	11.87%
6 Core Capital to Total Risk Weighted Exposures	14.63%
7 Total Capital Fund to Total Risk Weighted Exposures	23.13%
8 Leverage Ratio	9.15

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	40	5	35
2 Substandard Loan	388	97	291
3 Doubtful Loan	470	235	235
4 Loss Loan	1,884	1,884	-
Total	2,782	2,222	561

NPA Ratio

Gross NPA to Gross Loan and Advance	1.84%
Net NPA to Net Loan and Advance	0.38%

Movement of Non-Performing Assets

Categories	This Quarter (Rs.in Million)	Previous Quarter (Rs.in Million)	Difference (Rs. in Million)
1 Reschedule/Restructured loan	40	179	(139)
2 Substandard loan	388	1,251	(863)
3 Doubtful loan	470	1,004	(534)
4 Loss loan	1,884	2,036	(152)
Total	2,782	4,470	(1,688)

Written-off Loan and Interest Suspense

Categories	Rs. In Million
1 Write-off Loan and Its Interest	1,998
2 Interest suspense	
Total	1,998

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	4242	4,486	(244)
2 Interest suspense	720	881	(160)
Total	4,962	5,366	(404)

Segregation of Investment Portfolio

Categories	Amount in Million
1 Held-for-trading	1,364
2 Held-to-maturity	35,849
3 Available-for-sale	745
Total	37,958

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

Agricultural Development Bank Ltd. manages risk through an integrated Risk Management Framework (RMF) of the Bank . This RMF is built upon the principles of the Basel Committee on Banking Supervision and follows the directions of Risk Management Guideline issued by Nepal Rastra Bank. The bank follows the Internal Capital Adequacy Assessment Process (ICAAP) and has a framework "Internal Capital Adequacy Assessment Process (ICAAP)" for determining internal capital adequacy requirement in relation to risk profile of Bank. Internal Capital Adequacy Assessment Process (ICAAP) is conducted annually by independent Risk Management Department which is presented to Risk Management Committee and Board. With the approval of the Board, the ICAAP report on annual basis is submitted to Nepal Rastra Bank . The ICAAP report covers bank's attitude towards risk, business and risk strategy, risk appetite, risk assessment and aggregation, stress and scenario testing. Based upon the framework, in Fiscal Year 2077/78 bank has assessed internal capital requirement for consecutive four fiscal year under different three assumed scenarios. The Capital adequacy requirement assessed under those scenario shows adequate level of capital. The assessment is reviewed and the internal capital requirements is calculated, in case,if any changes occur in risk profile.A CEO level "ICAAP Steering Committee" is in place for reviewing ICAAP document and implementation of its recommendations. The assessment is further analyzed in Board level Risk Management Committee (RMC) and forwarded to Board for oversight. The ICAAP Steering Committee also reviews the quarterly Capital Adequacy changes and profile of Bank.