



Disclosure Under BASEL – III

For 2nd Quarter of FY 2082-083 ending 30st Poush 2082 (FY 2025-026 ending of 14th january 2025)

1 Capital Structure and Capital Adequacy:

1.1 Tier I and II Capital and a breakdown of its components:

Tier 1 Capital and a breakdown of its components	Amount in Full Figure
Core Capital (Tier 1)	24,160,033,690.73
Paid up Equity Share Capital	14,694,022,927.99
Statutory General Reserves	8,834,883,142.09
Retained Earnings	(2,219,776,258.16)
Un-audited current year cumulative profit/(loss)	1,304,852,927.65
Debenture Redemption Reserve	1,750,000,000.00
Capital Adjustment Reserve/Fund	380,382,600.00
Dividend Equalization Reserves	7,485,526.08
Capital Reserve (created for loan waived as per Nepal Govt. Direction)	259,735,644.02
Less: Fictitious Assets	(21,372,228.98)
Less: Investment in equity of institutions with financial interests	(750,000,000.00)
Less: Investment in equity of institutions in excess of limits	(80,180,589.96)
Supplementary Capital (Tier 2)	6,759,937,807.62
Cumulative and/or Redeemable Preference Shares	
Subordinated Term Debt	3,495,935,041.29
General Loan Loss Provision	2,837,218,673.02
Exchange Equalization Reserve	88,333,456.33
Investment Adjustment Reserve	31,741,861.00
AIR of pass Loan Form Regulator Reserve	270,908,180.59
NBA Reserve in RR within 24 months	35,800,595.40
Total Capital Fund (Tier 1 and Tier 2)	30,919,971,498.36
Risk Weighted Exposure (Assets) (After Supervisor's Adjustment)	254,476,688,020.87
Capital Adequacy Ratio	12.15%
Regulator Requirement (With Counter Cycle Buffer)	11.00%
Common Equity Tier 1 Capital Ratio	9.49%
Leverage Ratio (regulatory requirement >/ 4%)	4.98%

1.2 Detailed information about the Subordinated Term Debts

Title	NBL Debenture 2087
Face Value	3,500,000,000.00
Maturity Period	10 Yrs (2077 Bs to 2087 BS)
Interest Rate	8.50%
No of unit Issued	35,00,000
Issue Size	3,500,000,000.00

1.3 Deductions from Capital :

The Bank has deducted the following items in the calculation of Tier I Capital Fund:

- NPR 2,13,72,229/- for Intangible Assets.
 - NPR 75,00,00,000/- Investment in Avashar Equity Fund.
 - NPR 8,01,80,590/- for Investments in equity of Institutions with excess of Limits.
- Total Deduction NPR 85,15,52,819/-

1.4 Total Qualifying Capital:

Qualifying Capital	Amount in Full Figure
Core Capital (Tier 1 Capital)	24,160,033,691
Supplementary Capital (Tier II)	6,759,937,808
Total Capital	30,919,971,498

1.5 Capital adequacy ratio:

Particulars	Ratios
Common Equity Tier 1 Ratio	9.49%
Core Capital Ratio – Tier I	9.49%
Total Capital Ratio – Tier I + Tier II	12.15%

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

Bank in its efforts to improve the capital adequacy ratio as prescribed by the regulator has implemented a revised capital plan. Besides, the bank has formulated ICAAP Policy and ICAAP Guidelines aimed at improving the Capital Adequacy position in compliance with BASEL-III Framework from FY 2073-74. The task of systematic preparation and presentation of BASEL-III report has been entrusted now with the Central Finance Department of the bank. Currently, the bank's capital adequacy ratio stands at 12.15%.

2 Risk Exposures:

2.1 Risk weighted exposures for Credit Risk, Market Risk, and Operational Risk:

Particulars	Amount In Full Figure
Risk Weighted Exposure for Credit Risk	227,053,764,763
Risk Weighted Exposure for Operational Risk	15,323,026,449
Risk Weighted Exposure for Market Risk	358,980,566
Total	242,735,771,779
Supervisory Review	
Add: 4% of Gross Income (due to weak operational risk management)	4,458,843,089
Add: 3% of Total RWE (due to poor overall risk management system)	7,282,073,153
Total Supervisory Addition	11,740,916,242
Grand Total of RWEs	254,476,688,021

2.2 Risk weighted exposures under each 11 categories of Credit Risk:

Categories of Credit Risk	Risk Weighted Exposure NPR Full Figure	Proportion
Claims on Government and Central Bank	-	0.00%
Claims on Other Financial Entities	-	0.00%
Claims on Banks	7,034,809,747	3.10%
Claims on Domestic Corporates and Securities Firms	83,034,711,868	36.57%
Claims on Regulatory Retail Portfolio	46,860,965,986	20.64%
Claims secured by residential properties	7,122,247,721	3.14%
Claims secured by Commercial real estate	888,278,886	0.39%
Past due claims	12,866,626,301	5.67%
High Risk claims	12,079,141,442	5.32%
Other Assets	28,897,526,017	12.73%
Off Balance Sheet Items	28,269,456,797	12.45%
Total Credit Risk Weighted Exposure	227,053,764,763	100.00%

2.3 Total Risk weighted exposure calculation table:

A. Balance Sheet Exposures	Book Value (a)	Specific Provision (b)	Eligible CRM (.c)	Net Value (d=a-b-c)	Risk Weight (e)	RWE (f=d*e)
Cash Balance	8,073,970,214	-	-	8,073,970,214	0%	-
Balance With Nepal Rastra Bank	22,554,545,970	-	-	22,554,545,970	0%	-
Investment in Nepalese Government Securities	104,222,413,699	-	-	104,222,413,699	0%	-
All Claims on Government of Nepal (Pension Receivable+Govt Txn)	1,377,018,196	-	-	1,377,018,196	0%	-
Claims on Other Multilateral Development Banks	16,367,653	0	-	16,367,653	100%	16,367,653
Claims on domestic banks that meet capital adequacy requirements	8,553,096,065	-	-	8,553,096,065	20%	1,710,619,213
Claims on domestic banks that meet capital adequacy requirements	1,222,736,694	-	-	1,222,736,694	20%	244,547,339
Claims on Foreign Banks (ECA Rating 2)	3,749,061,252	-	-	3,749,061,252	50%	1,874,530,626
Claims on Foreign Banks (ECA Rating 3-6)	3,188,744,916	-	-	3,188,744,916	100%	3,188,744,916
Claims on Domestic Corporates	83,034,711,868	-	-	83,034,711,868	100%	83,034,711,868
Lending Against Shares	6,731,937,089	-	-	6,731,937,089	100%	6,731,937,089
Regulatory Retail Portfolio (Not Overdue)	107,347,458,008	825,000,000	44,041,170,026	62,481,287,981	75%	46,860,965,986
Claims secured by residential properties	11,870,412,868	-	-	11,870,412,868	60%	7,122,247,721
Claims secured by residential properties (Overdue)	510,325,550	510,325,550	-	-	100%	-
Claims secured by Commercial real estate	888,278,886	-	-	888,278,886	100%	888,278,886
Past due claims (except for claim secured by residential properties)	18,131,682,592	9,553,931,725	-	8,577,750,867	150%	12,866,626,301
Personal OD	6,363,629,360	-	-	6,363,629,360	150%	9,545,444,040
Personal Hp& Auto	836,090,874	-	-	836,090,874	100%	836,090,874
TR Trading	2,353,066,913	-	-	2,353,066,913	100%	2,353,066,913
High Risk claims	954,608,620	-	-	954,608,620	150%	1,431,912,931
Credit Card Receivable	25,827,362	-	-	25,827,362	150%	38,741,043
Investment in equity and other capital instruments of institutions Non listed in the stock exchange	2,526,620,825	1,817,925,206	-	708,695,619	150%	1,063,043,428

Investment in equity and other capital instruments of institutions listed in the stock exchange	6,183,658,632	5,728,678,981	-	454,979,651	100%	454,979,651
Staff loan secured by residential property	2,384,161,419	-	-	2,384,161,419	50%	1,192,080,709
Interest Receivable/claim on government securities	1,074,094,064	-	-	1,074,094,064	0%	-
Cash in transit and other cash items in the process of collection	250,000,000	-	-	250,000,000	20%	50,000,000
Other Assets (as per attachment)	25,600,846,143	8,321,475,364	-	17,279,370,779	100%	17,279,370,779
Total	430,025,365,733	26,757,336,826	44,041,170,026	359,226,858,881	0%	198,784,307,967
B. Off Balance Sheet Exposures	Book Value (a)	Specific Provision (b)	Eligible CRM (.c)	Net Value (d=a-b-c)	Risk Weight (e)	RWE (f=d*e)
Bills Under Collecion	921,030,264	-	-	921,030,264	0%	-
LC domestic counterparty Upto 6 Months	4,528,137,217	-	300,744,102	4,227,393,115	20%	845,478,623
LC domestic counterparty More Than 6 Months	4,283,967,449	-	1,107,989,590	3,175,977,859	50%	1,587,988,929
Bank Guarantee domestic counterparty	42,000,921,029	-	1,207,090,990	40,793,830,038	40%	16,317,532,015
Underwriting Commitments	224,000,000	-	-	224,000,000	50%	112,000,000
Acceptances and Endorsements	93,825,015	-	-	93,825,015	100%	93,825,015
Irrevocable Credit Commitments (short term)	21,301,587,522	-	-	21,301,587,522	20%	4,260,317,504
Irrevocable Credit Commitments (long term)	8,743,997,089	-	-	8,743,997,089	50%	4,371,998,545
Other Contingent Liabilities	532,496,091	-	-	532,496,091	100%	532,496,091
Unpaid Guarantee Claims	73,910,037	-	-	73,910,037	200%	147,820,074
Total	82,703,871,712	-	2,615,824,682	80,088,047,030	0%	28,269,456,797
Total RWE for Credit Risk Before Adjustment (A) + (B)	512,729,237,445	26,757,336,826	46,656,994,708	439,314,905,910	0%	227,053,764,763
Adjustments under Pillar II	-	-	-	-	0%	-
Add: 10% of the loan and facilities in excess of Single Obliger Limits(6.4 a 3)	-	-	-	-	0%	-
Add: 1% of the contract (sale) value in case of the sale of credit with recourse (6.4 a 4)	-	-	-	-	0%	-
Total RWE for Credit Risk (After Bank's adjustments of Pillar II)	512,729,237,445	26,757,336,826	46,656,994,708.28	439,314,905,910		227,053,764,763

3 Details of Non-Performing Loan

3.1 Amount of Non-Performing Assets (Both Gross and Net) Amount In Full Figure

Non-Performing Loans	Gross Amount	Loss Provision	Net Amount
Restructured and rescheduled	-	-	-
Sub-Standard	2,445,358,885	609,379,488	1,835,979,397
Doubtful	2,563,193,122	1,281,793,387	1,281,399,735
Loss	8,197,031,869	8,173,084,401	23,947,468
Total	13,205,583,875	10,064,257,275	3,141,326,600

3.2 NPA Ratios:

NPA Ratios	Ratios
Gross NPA to Gross Advances	5.34%
Net NPA to Net Advances	1.35%

*The Bank has Total loan loss provision of NPR 12,76,97,27,349 /- of which NPR 3,15,34,90,952 /- is on account of general loan loss provision and NPR 9,61,62,36,397 /- is on specific loan loss provision against NPAs.

3.3 Movement of Non-Performing Assets:

Particulars	This Quarter	Previous Quarter	Changes %
Non-Performing Assets	13,205,583,875	13,026,346,979	1.38%
Non-Performing Asset (%)	5.34%	5.49%	-0.15%

3.4 Write off of Loans and Interest Suspense

Particulars	Amount
Loan written off this Qtr	0
Interest Suspense written off this Qtr	0

3.5 Loan Loss provision and interest suspense movement: Amount in Full Figure:

Particulars	This Period	Previous Period	Changes
Total Loan Loss Provision	13,726,475,948	12,769,727,349	956,748,599
Interest Suspense	6,686,361,398	6,686,361,398	0

3.6 Details of Additional Loan Loss Provision

Particulars	Amount
Provisioning for Pass Loans	55,341,691.07
Provisioning for Watch List Loans	463,455,617.51
Provisioning for Restructured/Rescheduled Loans	-
Provisioning for Sub-Standard Loans	(1,960,233.30)
Provisioning for Doubtful Loans	196,825.86
Provisioning for Loss Loans	(23,947,467.89)
Total additional provisioning this Quarter	493,086,433.25

3.7 Segregation of Investment Portfolio:

Investment Category	Amount Full Figure
Held for Trading	168,864,350
Held to Maturity (Government Securities)	104,222,413,699
Available for Sale (Equity)	5,080,501,547
Investment in Associates	2,244,089,537
Investment in Venture Capital Fund	750,000,000
Total	112,465,869,132

4 Risk Management Function

The Bank is exposed to various types of material risks including credit, market, liquidity, operational, legal, compliance and reputation risks. The objective of the risk management framework at the Bank is to ensure that various risks are understood, measured and monitored and that the policies and guidelines established to address these risks are strictly adhered to.

The Board of Directors has oversight on all the risks assumed by the bank. The Risk Management Committee a board level sub-committee has been established to facilitate & focused oversight of various risks. The said committee reviews the risk management policies and guidelines, the bank's compliance with risk management guidelines issued by NRB and status of implemented BASEL - III requirement by the bank.

The Bank has set up a strong control and monitoring environment for comprehensive risk management at all levels of operation by establishing an independent Risk Management Department which caters to the current banking requirement of properly identifying and monitoring the risks apparent and inherent in the business.

Measurement of Risks for Capital Adequacy Purpose:

Under Pillar 1 of the Unified NRB Directives, the bank currently follows Simplified Standardized Approach for Credit Risk, Basic Indicator Approach for Operational Risk and Net Open Position approach for Market risk.

A. Credit Risk:

Strategies and Process:

All credit related aspects are governed by Operation Manual-2 (Credit) and Credit Policy of NBL. These documents outline the type of products that can be offered, customer categories, credit approval process and limits. These documents are approved by the Board of Directors.

The Bank's main emphasis is on MSME credit. Different limits of lending power have been assigned at branch level, division, department head level and the credit committee level. Every aspect relating to credit such as procedure and documentation etc. are clearly defined in the Operation Manual -2 and the Credit Policy of the bank.

Pre-Sanction:

The branch managers have the authority to approve the credit within their permissible limits after due scrutiny of background of the promoter, nature of business, turnover in the account, other financial indicators, income, collateral and security. Loans above the authority of branch are recommended to head office for further decision.

Credit Risk Assessment Process:

Risk Management Department carries out a comprehensive credit risk assessment process that encompasses analysis of relevant quantitative and qualitative information to ascertain credit rating of the borrower. The credit rating process involves assessment of risk emanating from various sources such as market risk, management risk, environmental risk, financial risk and security risk taking into consideration as much as 30 sub-parameters for business lending and 20 sub parameters for retail lending under each of these categories. Credit thresholds have been set for forwarding the credit files for risk rating before they are submitted for approval in the credit committee by the concerned credit units.

Post Sanction Monitoring/ Follow up:

Concerned branches are required to obtain regular information of the business. In case of revolving loans, the drawing power is checked commensurate with the existing level of stocks and working capital checked and verified at regular interval. The credit units at the Head Office are also required to prepare quarterly credit report to submit at higher level as a part of formal monitoring process.

B. Operation Risk:

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. Operational risk is inherent in the bank's business activities.

The board level committees that undertake supervision and review of operational risk aspects are the Risk Management Committee and Audit Committee. The board and the risk committee review the operational risk level and the material operational risk exposure. The Audit committee supervises audit and compliance related aspects. Inspection and Internal Audit department on the other hand carries out audit according to the audit plan and reports findings to the Audit Committee.

Risk Arising from breakdown of Information and Operating System:

The bank has introduced new centralized software Pumori-IV and has improved in its MIS infrastructure in order to ensure the associated operational risks being brought down to an acceptably low level.

To safeguard the probable losses resulting from system failure or natural disaster, the bank has taken following policies to minimize the risk:

- a. Back up – All types of back up of all balances and head office are taken at the end of the day. The bank has developed back up guidelines to manage the various types back up system.
- b. Disaster Recovery Site – The bank has established a disaster recovery site at Bhairahawa, which is outside the Kathmandu valley considering the lower frequency of seismic activities.
- c. Validation of Entry and Password control – There is a system of maker and checker for entry validation before posting. Access authority for data entry, update, modification and validation has been given on the basis of levels of staffs.
- d. Exception Reporting – The system creates exception report as and when required.

Risk Arising from Procedural Lapses and Internal control:

The bank has defined procedure for each banking products and services in the Operation Manuals related to banking transactions. Internal circulars are issued whenever required. Reporting by branches is regular. Internal Audit of maximum branches is carried out each year.

Corporate Governance:

NRB Guidelines with respect to Corporate Governance are duly complied with. The bank has established a Governance Unit to manage corporate governance related issues.

C. Market Risk:**a. Investments**

Currently, Bank has not made any investment for trading purpose. The investment in government securities have been made to hold till maturity. The investment in equity of listed institutions has been held as available for sale.

b. Foreign Exchange

The bank's policy is to maintain the net open position of convertible foreign currency where exchange rate risk persists in matching position.

D. Types of Eligible Credit Risk Mitigation used and benefits availed under CRM:

The eligible collateral taken as benefits under CRM are margin money deposited with the bank against off balance sheet exposures, Loan against Fixed deposits, Loan against Gold and Silver and Government Securities. Under this provision a total of Rs. 46,656,994,708.28 has been deducted from total credit risk as CRM.