



Disclosure Under BASEL – III

For 3rd Quarter of FY 2081-082 ending 32nd Ashar 2082 (FY 2024-025 ending of 16th July 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) | 24,340,854,362 |
| Paid up Equity Share Capital | 14,694,022,928 |
| Irredeemable Non-cumulative preference shares | - |
| Share Premium | - |
| Proposed Bonus Equity Shares | - |
| Statutory General Reserves | 8,712,908,170 |
| Retained Earnings | (4,222,098,944) |
| Un-audited current year cumulative profit/(loss) | 3,773,008,987 |
| Debenture Redemption Reserve | 1,555,555,556 |
| Capital Adjustment Reserve/Fund | 380,382,600 |
| Dividend Equalization Reserves | 7,485,526 |
| Special Reserve | |
| Capital Reserve (created for loan waived as per Nepal Govt. Direction) | 259,735,644 |
| Deferred Tax Reserve | |
| Other Free Reserves | |
| Less: Goodwill | |
| Less: Fictitious Assets | (23,567,319) |
| Less: Investment in equity in licensed Financial Institutions | - |
| Less: Investment in equity of institutions with financial interests | (750,000,000) |
| Less: Investment in equity of institutions in excess of limits | (46,578,784) |
| Less: Investments arising out of underwriting commitments | - |
| Less: Other Deductions | - |
| Tier 2 Capital and a breakdown of its components | - |
| Supplementary Capital (Tier 2) | 7,281,622,854 |
| Cumulative and/or Redeemable Preference Shares | - |
| Subordinated Term Debt | 3,495,578,127 |
| Hybrid Capital Instruments | - |
| General Loan Loss Provision | 2,717,653,127 |
| Exchange Equalization Reserve | 88,333,456 |
| Investment Adjustment Reserve | 31,741,861 |
| AIR of pass Loan Form Regulator Reserve | 948,316,283 |
| Other Reserves | - |
| Total Capital Fund (Tier 1 and Tier 2) | 31,622,477,217 |
| Risk Weighted Exposure (Assets) (After Supervisor's Adjustment) | 242,082,777,619 |
| Capital Adequacy Ratio | 13.06% |
| Regulator Requirement (With Counter Cycle Buffer) | 11.00% |
| Common Equity Tier 1 Capital Ratio | 10.05% |
| Leverage Ratio (regulatory requirement >/ 4%) | 5.49% |

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 2,35,67,319/- for Intangible Assets.
 - NPR 75,00,00,000/- Investment in Avashar Equity Fund.
 - NPR 4,65,78,784/- for Investments in equity of Institutions with excess of Limits.
- Total Deduction NPR 82,01,46,103/-

1.4 Total Qualifying Capital:

| Qualifying Capital | Amount in Full Figure |
|---------------------------------|-----------------------|
| Core Capital (Tier 1 Capital) | 24,340,854,362 |
| Supplementary Capital (Tier II) | 7,281,622,854 |
| Total Capital | 31,622,477,217 |

1.5 Capital adequacy ratio:

| Particulars | Ratios |
|--|--------|
| Common Equity Tier 1 Ratio | 10.05% |
| Core Capital Ratio – Tier I | 10.05% |
| Total Capital Ratio – Tier I + Tier II | 13.06% |

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 13.06%.

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 | 217,540,378,489 |
| Risk Weighted Exposure for Operational Risk | 13,447,927,694 |
| Risk Weighted Exposure for Market Risk | 352,852,890 |
| Total | 231,341,159,073 |
| Supervisory Review | |
| Add: 4% of Gross Income (due to weak operational risk management) | 3,801,383,774 |
| Add: 3% of Total RWE (due to poor overall risk management system) | 6,940,234,772 |
| Total Supervisory Addition | 10,741,618,546 |
| Grand Total of RWEs | 242,082,777,619 |

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 | 5,518,744,323 | 2.54% |
| Claims on Domestic Corporates and Securities Firms | 82,832,300,456 | 38.08% |
| Claims on Regulatory Retail Portfolio | 46,446,632,683 | 21.35% |
| Claims secured by residential properties | 6,714,595,251 | 3.09% |
| Claims secured by Commercial real estate | 1,265,212,263 | 0.58% |
| Past due claims | 11,853,123,240 | 5.45% |
| High Risk claims | 11,847,570,690 | 5.45% |
| Other Assets | 30,350,665,103 | 13.95% |
| Off Balance Sheet Items | 20,711,534,480 | 9.52% |
| Total Credit Risk Weighted Exposure | 217,540,378,489 | 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 | 7,136,484,027 | - | - | 7,136,484,027 | 0% | - |
| Balance With Nepal Rastra Bank | 18,193,432,501 | - | - | 18,193,432,501 | 0% | - |
| Investment in Nepalese Government Securities | 97,931,776,703 | - | - | 97,931,776,703 | 0% | - |
| All Claims on Government of Nepal (Pension Receivable + Govt Txn) | 85,662,881 | - | - | 85,662,881 | 0% | - |
| Claims on domestic banks that meet capital adequacy requirements | 7,671,491,616 | - | - | 7,671,491,616 | 20% | 1,534,298,323 |
| Claims on domestic banks that meet capital adequacy requirements | 2,089,977,951 | - | 359,997,951 | 1,729,980,000 | 20% | 345,996,000 |
| Claims on Foreign Banks (ECA Rating 2) | 2,903,819,693 | - | 157,819,693 | 2,746,000,000 | 50% | 1,373,000,000 |
| Claims on Foreign Banks (ECA Rating 3-6) | 2,821,207,426 | - | 555,757,426 | 2,265,450,000 | 100% | 2,265,450,000 |
| Claims on Domestic Corporates | 82,832,300,456 | - | - | 82,832,300,456 | 100% | 82,832,300,456 |
| Lending Against Shares | 7,529,777,865 | - | - | 7,529,777,865 | 100% | 7,529,777,865 |
| Regulatory Retail Portfolio (Not Overdue) | 98,803,647,242 | 721,600,000 | 36,153,203,665 | 61,928,843,577 | 75% | 46,446,632,683 |
| Claims secured by residential properties | 10,620,430,959 | - | - | 10,620,430,959 | 60% | 6,372,258,575 |
| Claims secured by residential properties (Overdue) | 443,465,009 | 101,128,333 | - | 342,336,676 | 100% | 342,336,676 |
| Claims secured by Commercial real estate | 1,265,212,263 | - | - | 1,265,212,263 | 100% | 1,265,212,263 |
| Past due claims (except for claim secured by residential properties) | 16,489,479,093 | 8,587,396,933 | - | 7,902,082,160 | 150% | 11,853,123,240 |
| Personal OD | 6,816,349,862 | - | - | 6,816,349,862 | 150% | 10,224,524,794 |
| Personal Hp& Auto | 692,283,121 | - | - | 692,283,121 | 100% | 692,283,121 |
| TR Trading | 2,193,688,254 | - | - | 2,193,688,254 | 120% | 2,632,425,905 |
| High Risk claims | 981,203,874 | - | - | 981,203,874 | 150% | 1,471,805,811 |
| Credit Card Receivable | 39,138,863 | - | - | 39,138,863 | 150% | 58,708,295 |
| Investment in equity and other capital instruments of institutions Non listed in the stock exchange | 1,022,096,755 | 960,408,895 | - | 61,687,860 | 150% | 92,531,790 |
| Investment in equity and other capital instruments of institutions listed in the stock exchange | 6,038,241,857 | 5,071,557,542 | - | 966,684,315 | 100% | 966,684,315 |
| Staff loan secured by residential property | 2,454,766,860 | - | - | 2,454,766,860 | 50% | 1,227,383,430 |

| | | | | | | |
|---|------------------------|-------------------------------|--------------------------|----------------------------|-------------------------|------------------------|
| Interest Receivable/claim on government securities | 803,056,670 | - | - | 803,056,670 | 0% | - |
| Cash in transit and other cash items in the process of collection | 500,000,000 | - | - | 500,000,000 | 20% | 100,000,000 |
| Other Assets (as per attachment) | 24,351,818,942 | 7,149,708,474 | - | 17,202,110,468 | 100% | 17,202,110,468 |
| Total | 402,710,810,743 | 22,591,800,177 | 37,226,778,735 | 342,892,231,831 | 0% | 196,828,844,009 |
| 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 Collection | 861,929,995 | - | - | 861,929,995 | 0% | - |
| LC domestic counterparty Upto 6 Months | 5,698,596,486 | - | 561,761,636 | 5,136,834,850 | 20% | 1,027,366,970 |
| LC domestic counterparty More Than 6 Months | 5,938,080,916 | - | 585,369,759 | 5,352,711,157 | 50% | 2,676,355,579 |
| Bank Guarantee domestic counterparty | 21,236,409,724 | - | 2,093,462,892 | 19,142,946,833 | 40% | 7,657,178,733 |
| Acceptances and Endorsements | 9,175,334 | - | - | 9,175,334 | 100% | 9,175,334 |
| Irrevocable Credit Commitments (short term) | 20,318,967,979 | - | - | 20,318,967,979 | 20% | 4,063,793,596 |
| Irrevocable Credit Commitments (long term) | 9,278,511,510 | - | - | 9,278,511,510 | 50% | 4,639,255,755 |
| Other Contingent Liabilities | 532,496,091 | - | - | 532,496,091 | 100% | 532,496,091 |
| Unpaid Guarantee Claims | 52,956,211 | - | - | 52,956,211 | 200% | 105,912,422 |
| Total | 63,927,124,247 | - | 3,240,594,287 | 60,686,529,960 | 0% | 20,711,534,480 |
| Total RWE for Credit Risk Before Adjustment (A) + (B) | 466,637,934,990 | 22,591,800,177 | 40,467,373,022 | 403,578,761,791 | 0% | 217,540,378,489 |
| Adjustments under Pillar II | - | - | - | - | 0% | - |
| Add: 10% of the loan and facilities in excess of Single Obligor 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) | 466,637,934,990 | 22,591,800,177 | 40,467,373,022.49 | 403,578,761,791 | | 217,540,378,489 |

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 | 1,596,745,513 | 401,724,971 | 1,195,020,542 |
| Doubtful | 1,311,714,102 | 649,600,612 | 662,113,490 |
| Loss | 7,656,219,013 | 7,637,199,683 | 19,019,330 |
| Total | 10,564,678,629 | 8,688,525,266 | 1,876,153,363 |

3.2 NPA Ratios:

| NPA Ratios | Ratios |
|-----------------------------|--------|
| Gross NPA to Gross Advances | 4.47% |
| Net NPA to Net Advances | 0.84% |

*The Bank has Total loan loss provision of NPR 12,127,778,393 /- of which NPR 3,439,253,127 /- is on account of general loan loss provision and NPR 8,688,525,266 /- is on specific loan loss provision against NPAs.

3.3 Movement of Non-Performing Assets:

| Particulars | This Quarter | Previous Quarter | Changes % |
|--------------------------|----------------|------------------|-----------|
| Non-Performing Assets | 10,564,678,629 | 12,508,111,624 | -15.54% |
| Non-Performing Asset (%) | 4.47% | 5.45% | -0.98% |

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 | 12,127,778,393 | 11,279,654,448 | 848,123,945 |
| Interest Suspense | 6,113,932,765 | 6,318,200,780 | -204,268,015 |

3.6 Details of Additional Loan Loss Provision

| Particulars | Amount |
|---|-----------------------|
| Provisioning for Pass Loans | 132,501,873.91 |
| Provisioning for Watch List Loans | 95,545,453.49 |
| Provisioning for Restructured/Rescheduled Loans | - |
| Provisioning for Sub-Standard Loans | 2,538,592.49 |
| Provisioning for Doubtful Loans | (6,256,438.79) |
| Provisioning for Loss Loans | (19,019,330.18) |
| Total additional provisioning this Quarter | 205,310,150.92 |

3.7 Segregation of Investment Portfolio:

| Investment Category | Amount Full Figure |
|--|------------------------|
| Held for Trading | 177,323,659 |
| Held to Maturity (Government Securities) | 97,931,776,703 |
| Available for Sale (Equity) | 4,930,950,265 |
| Investment in Associates | 2,129,388,348 |
| Investment in Venture Capital Fund | 750,000,000 |
| Total | 105,919,438,975 |

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. 40,467,373,022/- has been deducted from total credit risk as CRM.