Disclosure Under BASEL III

For the 4th Quarter of F.Y. 2082/083

ending 32nd Ashadh 2083 (16th July 2026)

1 Capital Structure and Capital Adequacy:

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

Tier I Capital and a breakdown of its components	Amount (NPR.)
Core Capital (Tier I)	**28,211,031,070**
Paid up Equity Share Capital	14,694,022,928
Statutory General Reserves	9,473,952,411
Retained Earnings	(2,172,238,364)
Un-audited current year cumulative profit/(loss)	4,500,199,273
Debenture Redemption Reserve	1,944,444,444
Capital Adjustment Reserve/Fund	380,382,600
Dividend Equalization Reserves	7,485,526
Capital Reserve (created for loan waived as per Nepal Govt. Direction)	259,735,644
Less: Intangible Assets	(47,239,414)
Less: Investment in equity of institutions with financial interests	(750,000,000)
Less: Investment in equity of institutions in excess of limits	(79,713,979)
Supplementary Capital (Tier II)	**5,980,187,287**
Subordinated Term Debt	2,797,033,565
General Loan Loss Provision	2,762,673,718
Exchange Equalization Reserve	90,214,385
Investment Adjustment Reserve	31,741,861
AIR of pass Loan Form Regulator Reserve	162,140,483
Interest Capitalized Reserve included in Regulatory Reserve	13,299,719
NBA Reserve in Regulatory Reserve within 24 months	123,083,556
Total Capital Fund (Tier I and Tier II)	**34,191,218,357**
Risk Weighted Exposure (Assets) (After Supervisor's Adjustment)	**250,295,155,776**
Capital Adequacy Ratio	**13.66%**
Regulator Requirement (With Counter Cycle Buffer)	**11.00%**
Common Equity Tier I Capital Ratio	**11.27%**
Leverage Ratio (regulatory requirement >/ 4%)	**5.35%**

1.2 Detailed information about the Subordinated Term Debts

Title	NBL Debenture 2087
Face Value	3,500,000,000
Maturity Period	10 Yrs.
Maturity Date	2088.02.09
Interest Rate	8.50%
No of unit Issued	35,00,000
Issue Size	3,500,000,000

1.3 Deductions from Capital :

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

- NPR 47,239,414/- for Intangible Assets.
- NPR 75,00,00,000/- Investment in Avashar Equity Fund.
- NPR 79,713,979/- for Investments in equity of Institutions with excess of Limits.

Total Deduction from Tier I: NPR 876,953,393/-

As per Capital Adequacy Framework 2015, the dated instruments (both cumulative and non-cumulative) shall be subjected to a progressive discount for capital adequacy purposes over the last five years of their tenor, as they approach maturity for being eligible for inclusion in Tier II capital.

Hence, 20 % deduction has been considered for calculation of Tier II Capital Fund for 8.5% NBL Debenture 2087, as the maturity period of the debenture is below 5 years as of the reporting date.

1.4 Total Qualifying Capital:

Qualifying Capital	Amount (NPR.)
Core Capital (Tier I Capital)	28,211,031,070
Supplementary Capital (Tier II)	5,980,187,287
Total Capital	**34,191,218,357**

1.5 Capital adequacy ratio:

Particulars	Ratio
Common Equity Tier I Ratio	11.27%
Core Capital Ratio-Tier I	11.27%
Total Capital Ratio – Tier I + Tier II	**13.66%**

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 F.Y. 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 13.66%.

2 Risk Exposures:

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

Particulars	Amount (NPR.)
Risk Weighted Exposure for Credit Risk	222,974,512,932
Risk Weighted Exposure for Operational Risk	15,312,062,269
Risk Weighted Exposure for Market Risk	389,456,534
Total	**238,676,031,735**
Supervisory Review	
Add: 4% of Gross Income as supervisor is not satisfied with sound practice of management of operational risk	4,458,843,089
Add:3% of Total RWE as supervisor is satisfied with overall risk management policies and procedures of the bank	7,160,280,952
Total Supervisory Addition	**11,619,124,041**
Grand Total of RWEs	**250,295,155,776**

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

Categories of Credit Risk	Risk Weighted Exposure (NPR.)	Proportion
Claims on Government and Central Bank	-	-
Claims on Other Financial Entities	-	-
Claims on Banks	9,263,446,544	4.15%
Claims on Domestic Corporates and Securities Firms	80,590,887,285	36.14%
Claims on Regulatory Retail Portfolio	45,545,094,785	20.43%
Claims secured by residential properties	8,101,778,785	3.63%
Claims secured by Commercial real estate	1,362,112,986	0.61%
Past due claims	13,413,965,013	6.02%
High Risk claims	11,222,468,663	5.03%
Other Assets	32,366,735,701	14.52%
Off Balance Sheet Items	21,108,023,170	9.47%
Total Credit Risk Weighted Exposure	**222,974,512,932**	**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	8,011,626,138	-	-	8,011,626,138	0%	-
Balance with Nepal Rastra Bank	31,090,832,447	-	-	31,090,832,447	0%	-
Investment in Nepalese Government Securities	135,179,392,550	-	-	135,179,392,550	0%	-
All Claims on Government of Nepal (Pension Receivable+Govt Txn)	297,182,186	-	-	297,182,186	0%	-
Claims on Other Multilateral Development Banks	8,961,897,984	8,975,280,253	-	-	100%	-
Claims on domestic banks that meet capital adequacy requirements	12,637,127,799	-	-	12,637,127,799	20%	2,527,425,560
Claims on domestic banks that meet capital adequacy requirements	3,362,102,248	-	-	3,362,102,248	20%	672,420,450
Claims on Foreign Banks (ECA Rating 2)	3,912,343,969	-	-	3,912,343,969	50%	1,956,171,985
Claims on Foreign Banks (ECA Rating 3-6)	4,107,428,550	-	-	4,107,428,550	100%	4,107,428,550
Claims on Domestic Corporates	80,590,887,285	-	-	80,590,887,285	100%	80,590,887,285
Lending Against Shares	6,982,686,905	-	-	6,982,686,905	100%	6,982,686,905
Regulatory Retail Portfolio (Not Overdue)	116,667,227,525	1,091,100,000	54,849,334,479	60,726,793,046	75%	45,545,094,785
Claims secured by residential properties	12,954,655,623	-	-	12,954,655,623	60%	7,772,793,374
Claims secured by residential properties (Overdue)	449,568,179	120,582,769	-	328,985,411	100%	328,985,411
Claims secured by Commercial real estate	1,362,112,986	-	-	1,362,112,986	100%	1,362,112,986
Past due claims (except for claim secured by residential properties)	17,198,309,266	8,255,665,924	-	8,942,643,342	150%	13,413,965,013
Personal OD	6,402,399,038	-	-	6,402,399,038	150%	9,603,598,558
Personal Hire purchase & Auto	995,066,299	-	-	995,066,299	100%	995,066,299
TR Trading	1,673,469,859	-	-	1,673,469,859	100%	1,673,469,859
High Risk claims	996,916,649	-	-	996,916,649	150%	1,495,374,974
Credit Card Receivable	40,642,228	-	-	40,642,228	150%	60,963,342
Investment in equity and other capital instruments of institutions Non-listed in the stock exchange	1,092,364,032	1,050,676,172	-	41,687,860	150%	62,531,790
Investment in equity and other capital instruments of institutions listed in the stock exchange	6,257,808,659	5,135,354,637	-	1,122,454,021	100%	1,122,454,021

Staff loan secured by residential property	2,560,141,562	-	-	2,560,141,562	50%	1,280,070,781
Interest Receivable/claim on government securities	945,822,844	-	-	945,822,844	0%	-
Cash in transit and other cash items in the process of collection	2,000,000,000	-	-	2,000,000,000	20%	400,000,000
Loans not exceeding Rs. 30 million to SME's that fulfill the criteria	3,269,543,068	-	-	3,269,543,068	60%	1,961,725,841
Other Assets (as per attachment)	25,143,365,062	7,192,103,067	-	17,951,261,995	100%	17,951,261,995
Total	**495,142,920,942**	**31,820,762,823**	**54,849,334,479**	**408,486,205,910**		**201,866,489,762**
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	153,256,582	-	-	153,256,582	0%	-
Forward Exchange Contract Liabilities	8,827,044	-	-	8,827,044	10%	882,704
LC domestic counterparty Up to 6 Months	6,528,447,925	-	584,385,131	5,944,062,794	20%	1,188,812,559
LC domestic counterparty More Than 6 Months	4,137,394,504	-	1,085,725,657	3,051,668,847	50%	1,525,834,423
Bank Guarantee domestic counterparty	21,238,637,892	-	1,001,610,611	20,237,027,281	40%	8,094,810,913
Underwriting Commitments	-	-	-	-	50%	-
Acceptances and Endorsements	11,705,544	-	-	11,705,544	100%	11,705,544
Irrevocable Credit Commitments (short term)	22,252,099,323	-	-	22,252,099,323	20%	4,450,419,865
Irrevocable Credit Commitments (long term)	10,042,650,270	-	-	10,042,650,270	50%	5,021,325,135
Other Contingent Liabilities	532,496,091	-	-	532,496,091	100%	532,496,091
Unpaid Guarantee Claims	140,867,968	-	-	140,867,968	200%	281,735,936
Total	**65,046,383,143**	**-**	**2,671,721,399**	**62,374,661,745**		**21,108,023,170**
Total RWE for Credit Risk Before Adjustment (A) + (B)	**560,189,304,086**	**31,820,762,823**	**57,521,055,877**	**470,860,867,655**	**0%**	**222,974,512,932**
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)	**560,189,304,086**	**31,820,762,823**	**57,521,055,877.20**	**470,860,867,655**		**222,974,512,932**

Details of Non-Performing Loan

2.4 Amount of Non-Performing Assets (Both Gross and Net) **Amount (NPR.)**

Non-Performing Loans	Gross Amount	Loss Provision	Net Amount
Restructured and rescheduled	-	-	-
Sub-Standard	2,100,347,753	525,086,938	1,575,260,815
Doubtful	1,995,853,861	997,926,930	997,926,930
Loss	6,853,234,824	6,853,234,824	-
Total	**10,949,436,438**	**8,376,248,693**	**2,573,187,745**

2.5 NPA Ratios:

NPA Ratios	Ratios
Gross NPA to Gross Advances	4.18%
Net NPA to Net Advances	1.03%

Bank has Total loan loss provision of NPR 12,230,022,412 of which NPR 3,853,773,718 is on account of general loan loss provision and NPR 8,376,248,693 is on specific loan loss provision against NPAs.

2.6 Movement of Non-Performing Assets:

Particulars	This Quarter	Previous Quarter	Changes
Non-Performing Assets	10,949,436,438	12,688,093,190	-13.70%
Non-Performing Asset (%)	4.18%	4.96%	0.78

2.7 Write off of Loans and Interest Suspense

Particulars	Amount (NPR)
Loan written off this Qtr.	35,472,369
Interest Suspense written off this Qtr.	-

2.8 Loan Loss provision and interest suspense movement: **Amount (NPR)**

Particulars	This Period	Previous Period	Changes
Total Loan Loss Provision	12,230,022,412	12,855,511,541	(625,489,129)
Interest Suspense	6,327,657,861	6,491,652,473	(163,994,612)

2.9 Details of Additional Loan Loss Provision

Particulars	Amount (NPR)
Provisioning for Pass Loans	286,405,764
Provisioning for Watch List Loans	528,997,480
Provisioning for Restructured/Rescheduled Loans	-
Provisioning for Sub-Standard Loans	-
Provisioning for Doubtful Loans	-
Provisioning for Loss Loans	-
Total additional provisioning this Quarter	**815,403,244**

2.10 Segregation of Investment Portfolio:

Investment Category	Amount (NPR)
Held for Trading	187,883,891
Held to Maturity (Government Securities)	135,179,392,550
Available for Sale (Equity)	3,063,980,691
Investment in Associates	4,286,192,000
Total	**142,717,449,132**

3 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 I 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-II (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-II 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 branches 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 NPR. 57,521,055,877 has been deducted from total credit risk as CRM.