



पोखरा फाइनान्स लिमिटेड
POKHARA FINANCE LIMITED

नेपाल राष्ट्र बैंकबाट 'ग' वर्गको इजाजतपत्रप्राप्त संस्था



BASEL II DISCLOSURE

AS ON ASHADH END 2077

DISCLOSURE UNDER CAPITAL ADEQUACY FRAMEWORK OF NRB (BASEL II)

As on 31st Ashad 2077

1. CAPITAL STRUCTURE & CAPITAL ADEQUACY

i. Core Capital (Tier I)

(NPR '000')

Particulars		Amount
A	Paid-up Equity Share Capital	917,281.70
B	Share Premium	21,305.24
C	Statutory General Reserve	182,190.96
D	Proposed Bonus Equity Share	-
E	Retained Earnings	8,288.09
F	Accumulated Profit/(Loss)	7,716.07
G	Capital Adjustment Reserve	-
H	Debenture Redemption Reserve	-
I	Other Free Reserve	-
I	Less: Deferred Tax Assets	10,053.06
J	Less: Purchase of land & building in excess of limit and unutilized	-
Total Core Capital (Tier I)		1,126,729.01

ii. Supplementary Capital (Tier II)

(NPR '000')

Particulars		Amount
A	Subordinate Term Debt	-
B	General Loan Loss Provision	139,032.00
C	Investment Adjustment Reserve	-
D	Exchange Equalization Reserve	-
Total Supplementary Capital (Tier II)		139,032.00

iii. Information about Subordinate Term Debt

The finance does not have any subordinated Term Debts.

iv. Deduction Form Capital

Particulars		Amount
Deferred Tax Assets		10,053.06
Purchase of land & building in excess of limit and unutilized		-
Total		10,053.06

v. Total Qualifying Capital

Particulars	Amount
Total Core Capital (Tier I)	1,126,729.01
Total Supplementary Capital (Tier II)	76,510.65
Total Capital Fund (Tier I + Tier II)	1,203,239.66

vi. Capital Adequacy Ratio

Capital Adequacy Ratio (Percentage)	19.66%
-------------------------------------	--------

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

The finance considers the capital adequacy requirement pursuant to the provision set by NRB. The tier 1 capital ratio of the Finance as at Ashadh 2077 is 18.41% and the total capital ratio is 19.66%. The Finance has successfully achieved the paid up capital requirement of NRB, which is 800 Million. The capital adequacy is major factor that is considered in the finance's annual meeting, daily financial analysis and during ALCO meeting and Risk Management Committee meetings. The Finance in its strategic planning cautiously considers the capital adequacy and projects capital adequacy required for the organization's growth.

2. Risk Exposure

i. Risk Weighted Exposure for Credit Risk, Market Risk and Operational Risk

(NPR '000')

Particulars		Amount
A	Risk Weighted Exposure for Credit Risk	5,711,854.89
B	Risk Weighted Exposure for Operational Risk	408,996.78
C	Risk Weighted Exposure for Market Risk	-
Total Risk Weighted Exposure (A+B+C)		6,120,851.67

ii. Risk Weighted Exposure under each 11 Categories of Credit Risk

(NPR '000')

Particulars		Amount
A	Balance Sheet Exposures	8,030,078.27
1	Claims on Government and Central Bank	-
2	Claims on Other Official Entities	-
3	Claims on Banks	1,410,928.43
4	Claims on Corporate and Securities Entities	304,079.43
5	Claims on Regulatory Retail Portfolio (Not overdue)	4,079,560.22
6	Claims Secured by Residential Properties	562,582.44
7	Claims Secured by Residential Properties (Overdue)	-
8	Claims Secured by Commercial Real Estate	1,243,607.88

9	Past Due Claims	64,348.46
10	High Risk Claims	-
11	Lending against securities (shares and bonds)	59,955.19
12	Investments in equity and other capital instruments of institutions listed in stock exchange	50,669.97
13	Investments in equity and other capital instruments of institutions not listed in the stock exchange	16,351.50
14	Staff loan secured by residential property	2,728.19
15	Other Assets	235,266.56
B	Off- Balance Sheet Exposures	80,682.6
1	Bid Bond, Performance Bond and Counter guarantee domestic counterparty	400.00
2	Irrevocable Credit commitments (short term)	80,282.60
3	Irrevocable Credit commitments (Long term)	-
Total (A+B)		8,110,760.87

iii. Amount of Non Performing Assets (Gross and Net Amount)

(NRs. '000')

Particulars		Gross Amount	Provision	Net Amount
A	Restructured	-	-	-
B	Sub-standard	8,985.50	2,246.38	6,739.13
C	Doubtful	3,393.96	1,696.98	1696.98
D	Loss	50,350.20	50,350.20	0.00
Total		62,729.66	54,293.56	8,436.11

iv. Non Performing Assets (NPA) Ratios

NPA Ratios		Percentage (%)
Gross NPA to Gross Advances		0.99%
Net NPA to Net Advances		0.13%

v. Movement of Non Performing Assets

(NRs. '000')

Particulars		Opening Balance (Ashad End 2076)	Closing Balance (Ashad End 2077)	Movement
A	Restructured	-	-	-
B	Sub-standard	566.00	2,246.38	1,680.38
C	Doubtful	385.00	1,696.98	1,311.98
D	Loss	42,435.00	50,350.20	7,915.20
Total		43,385.55	54,293.56	10908.00

vi. Write Off Of Loans and Interest Suspense

Nil

vii. Movement of Loan Loss Provision

(NRs. '000')

Particulars		Opening Balance (Ashad End 2076)	Closing Balance (Ashad End 2077)	Movement
A	Pass	57,165.52	53,091.13	(4,074.39)
B	Watch-list	684.19	48,073.43	47,389.24
C	Restructured	-	-	-
D	Sub-standard	566	2,246.38	1680.38
E	Doubtful	385.00	1,696.98	1,311.98
F	Loss	42,435.00	50,350.20	7,915.20
Total		101,235.71	155,458.12	54,222.41

viii. Segregation of the Finance's Investment portfolio

Investments are segregated as per NRB Directive.

Investment held for Trading	-
Investment held to Maturity:	514,716,425.00
Investment Available for Sales (Cost)	66,978,388.00

3. Risk Management Function

i. Strategies and Policies

Risk management strategies and policies are paramount to mitigating risks that are faced by Finance. In addition to maintaining adequate capital, the responsibility of the finance also lies in maintaining a balance between risk and return. Therefore, effective risk management is a must for sustainability of bank and financial institutions. Apart from the business credit department, a separate credit risk department has been formulated, and senior level staff has been handed the responsibility of ensuring that the risk management guidelines are properly placed and executed. Regarding operation risk, operation risk management policy has been formulated and effective channels are being formed to ensure that the policies are thoroughly followed. The Asset Liability Committee looks after the market risk and meetings are held periodically to ensure that the finance takes proper decisions based on the market situations.

ii. The Structure and Organization of the Relevant Risk Management Function

A senior level staff has been appointed who is responsible to ensure that the credit risk are identified and mitigated. In operation, AML/CFT unit has been created and an experienced senior level manager has been appointed as compliance officer, who also looks after the operation risk. Customization is under process to develop system/software to ensure AML/CFT and other operation risks are identified and necessary actions taken. The ALCO looks after the market risk. The Asset Liability committee has members from different department and therefore identification of risk and mitigating actions are decided right promptly. Apart from this, risk management committee, consisting of board members dully

considers the situations and issues of risks faced by finance and further provide directions to reduce and mitigate risks.

iii. The Scope and Nature of Risk Reporting and / or Measurement Systems

The risk identified from credit, operation and market risk department are further discussed in management meetings, ALCO meetings and are placed before the risk management committee. The internal audit department also reviews the risk at every level and reports to the audit committee. Recently, whistle blowing policy has also been formulated to ensure that the risk are timely identified and mitigated