

Progressive Finance Limited
Disclosure Under Basel II As at Ashadh End -2080

1. CAPITAL STRUCTURE & CAPITAL ADEQUACY

1.1 Capital Adequacy Ratio

Particulars	(%) Ratio
Core Capital Ratio - Tier I	12.28
Total Capital Ratio - Tier II	16.10

1.2 Total Qualifying Capital

Qualifying Capital	(NRs. '000') Amount
Tier I Core Capital Fund	519,849.01
Tier II Supplementary Capital Fund	161,452.63
Total Capital Fund	681,301.64

1.3 Breakdown of Capital and its components

		(NRs. '000')
A.	Core Capital (Tier I)	519,849.01
a	Paid up Equity Share Capital	848,106.00
b	Irredeemable Non-cumulative preference shares	
c	Share Premium	
d	Proposed Bonus Equity Shares	
e	Statutory General Reserves	36,833.84
f	Retained Earnings	-366,497.00
g	Un-audited current year cumulative profit/(loss)	
h	Capital Redemption Reserve	
i	Capital Adjustment Reserve	
j	Dividend Equalization Reserves	
k	Other Free Reserve	1406.165
l	Less: Goodwill	-
m	Less: Deferred Tax Assets	-
n	Less: Fictitious Assets	-
o	Less: Investment in equity in licensed Financial Institutions	-
p	Less: Investment in equity of institutions with financial interests	-
q	Less: Investment in equity of institutions in excess of limits	-
r	Less: Investments arising out of underwriting commitments	-
s	Less: Reciprocal crossholdings	-
t	Less: Purchase of land & building in excess of limit and unutilized	-
u	Less: Other Deductions	-
B.	Supplementary Capital (Tier 2)	161,452.63
a	Cumulative and/or Redeemable Preference Share	-
b	Subordinated Term Debt	-
c	Hybrid Capital Instruments	-
d	General loan loss provision	45,863.90
e	Exchange Equalization Reserve	
f	Investment Adjustment Reserve	
g	Asset Revaluation Reserve	(6,635.04)
h	Other Reserves	122223.78
	Total Capital Fund (Tier I and Tier II)	681,301.64

Details information about the Subordinated Term Debt.

There is no Subordinated Term Debts issued by Finance.

2. Risk Weight Exposure

(NRs. '000')

	RISK WEIGHTED EXPOSURES	Current Priod
a	Risk Weighted Exposure for Credit Risk	3,687,838.77
b	Risk Weighted Exposure for Operational Risk	244,719.59
c	Risk Weighted Exposure for Market Risk	0
	Add: 1) 6.4a(7) RWA equivalent to reciprocal of capital charge of 3% of Gross Income	63,405.00
	2) 6.4a(9) Overall risk management policies and procedures are not satisfactory @4%	157,302.33
	3) 6.4a(10) Desired level of disclosure requirement has not been achieved @2% of RWE	78,651.17
	Total Risk Weighted Exposures	4,231,916.86

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

(NRs. '000')

	Balance Sheet Exposure	Amount
1	Claims on Government and central bank	
2	Claims on Other Official Entities	
3	Claims on banks	1,104,366.21
4	Claims on Corporate & securities firms	485,414.24
5	Claims on Regulatory Retail Portfolio	1,647,640.52
6	Claims Secured by Residential Properties	254,482.62
7	Claims Secured by Commercial Real Estate	391,545.57
8	Past due claims	5,655.84
9	High Risk Claims	676,347.77
10	Other Assets (as per attachment)	335,720.30
11	Off- Balance Sheet Exposures	164599.56
	Total RWE for Credit Risk	5,065,772.64

4. Amount of Non Performing Assets

(NRs. '000')

	Particulars	Gross	Provision	Net
A	Restructured	0.00	0.00	0.00
B	Sub-standard	47,130.01	11,782.50	35,347.51
C	Doubtful	59,580.25	29,790.12	29,790.12
D	Loss	257,824.73	257,824.73	0.00
	Total	364,534.99	299,397.36	65,137.63

5. Non Performing Assets Ratio (NPA Ratios)

(%)

Particulars	Ratio
Gross NPA to Gross Advances	9.98
Net NPA to Net Advances	1.98

6. Movement in Non Performing Assets**(NRs. '000')**

Particulars	This Quarter	Previous Quarter	Change %
Non Performing Assets	364,534.99	187,873.77	94.03%
Non Performing Assets %	9.98%	4.95%	101.62%

7. Write off of Loans and Interest in the**(NRs. '000')**

Particulars	Amount
Write off Loans during the Quarter	
Write off Interest Suspense during the	-

8. Movement of Loan Loss provision and Interest Suspense**(NRs. '000')**

Particulars	This Quarter	Previous Quarter	Change %
Loan Loss Provision	367,132.89	154,534.35	137.57%
Interest Suspense	96,485.06	84,207.15	14.58%

9. Details of Additional Loan Loss Provision**(NRs. '000')**

Particulars	This Quarter	Previous Quarter	Movement
Additional Loan Loss Provision	980.00	0.00	0.00

10. Segregation of Investment Portfolio**(NRs. '000')**

Particulars	As on 2080.03.31
Held For Trading	0
Held For Maturity	665000
Available for Sale	147,429

11. Summary of term conditions and main feature of all capital instruments, especially in case of subordinated terms debts including hybrid capital instrument:

There are no Subordinated Term Debts and hybrid capital Instruments.

12. Summary of the finance's internal approach to assess the adequacy of its capital to support current and future activities' if applicable:

When making decisions about any firm, Progressive Finance adopts and abides by the Internal Capital Adequacy Assessment Process (ICAAP) and the Risk Management Policy. It has always taken note of the ICAAP and acted accordingly to ensure the sustainability of the business and soundness of the capital position. The Board of Directors has authorized the company's policies and procedures, and these documents offer instructions on the independent identification, measurement, and management of risks across multiple business sectors.

In order to align risk, return, and capital in a sustainable way, Risk Management Committee, examine the business and risks on a regular basis and take into consideration scenario analysis and stress test results.

The process of creating the annual budget and the medium-term strategic plans for finance both include capital planning. The required capital level is projected, the total risk-weighted exposures are determined, and a strategy is developed to retain the necessary capital.

Since its inception, the company has consistently been able to ensure appropriate capital formation, which is necessary for the expansion of its business. The business has adequate capital and can sustain it both internally and, if necessary, externally through financial markets.

13. Centralised Credit Operation Department (CCOD)

We have an independent Centralised Credit Operation Department (CCOD) that prepares security documents for enforcement and stores documents created in coordination with the Relationship Officer. A four-eyed concept is used to check security aspects according to approved conventions. CCOD is also business independent and also ensures borrower security and continuity through retrospective relationship assessments. Quarterly inspections of the company and suggestions for timely corrective actions is done by Loan monitoring and followup department with co-ordination with CCOD disbursing its execution process to branches.

14. Risk Management Framework

14.1. Credit Risk Management

The company has its own Credit and Investment policies, which act as a guide when creating business. The company has clearly defined business generations and risk management, and each loan proposal undergoes a suitability test for approval, a long-term soundness test based on knowledge of the business to which the loan is sanctioned.

The company has a dedicated credit risk department headed by the Chief Risk Officer (CRO). This department oversees macro, micro and enterprise-level risks arising from day-to-day operations due to changing market conditions affecting business lines.

14.2 Operation Risk Management

Risk management looks after the operational risk identifying its vulnerable areas and providing its mitigation through the committee.

14.3 Market Risk Management

Risk management committee analyse the market risk and its impact on the finance regarding its affect on the objectives and goals. It also oversees the short term and long term consequences enhancing its optimal utilisation of the resources for the wealth maximisation for all its stakeholders.

14.4 Risk Management Committee

The board-level Risk Management Committee include members from the credit risk department as well. Here, the overall risk management strategy, including the company's performance, is thoroughly examined in order to evaluate the financial stability of the organization analysing its operational as well as market risk.. The relevant department is then given the appropriate instructions, and recommendations are made to the Board for consideration and implementation.

14.5 Liquidity Risk Management

Liquidity ratios are accessed and communicated to ALCO members by Finance, Accounts and Treasury (FAT) department. Adherence to prescribed liquidity ratios is always guaranteed.

The quarterly stress test results also include scenario analysis of liquidity ratios. Management oversight of liquidity risk management is ensured through discussion of stress test results at senior management (ALCO), the Risk Management Committee and the Board of Directors.

The ALCO also deals with market risk and all monthly reports on these aspects are discussed and processed by ALCO.

ALCO ensures that the workplace is operating in accordance with its policies and procedures and will jointly propose or recommend any action necessary to address the risk of interest rate changes.

Reasonable care is taken to match the maturity of deposits with the maturity of assets. Adequate liquidity is guaranteed even in stress scenarios. The Finance department plays an important role in ALCO's oversight and reporting.

From a liquidity risk management perspective, we have access to a variety of funding sources, including existing institutional deposit relationships, interbank markets and central bank funding mechanisms, should additional liquidity be required.

14.6 Compliance

The company has a separate department that oversees operational risks including KYC and his AML compliance. This department is headed by senior staff who have adequate access to daily reports and business processes and who have the right to recommend changes to systems and procedures.

14.7 Internal audit of the finance is independent from the management and directly reports to Audit Committee.