

Progressive Finance Limited
Disclosure Under Basel II As at Poush End -2081

1. CAPITAL STRUCTURE & CAPITAL ADEQUACY

1.1 Capital Adequacy Ratio

(%)	
Particulars	Ratio
Core Capital Ratio - Tier I	9.13%
Total Capital Ratio - Tier II	10.72%

1.2 Total Qualifying Capital

(NRs. '000')	
Qualifying Capital	Amount
Tier I Core Capital Fund	477,149.72
Tier II Supplementary Capital Fund	82,661.77
Total Capital Fund	559,811.49

1.3 Breakdown of Capital and its components

(NRs. '000')	
A. Core Capital (Tier I)	477,149.72
a Paid up Equity Share Capital	848,106.00
b Irredeemable Non-cumulative preference shares	
c Share Premium	0.00
d Proposed Bonus Equity Shares	
e Statutory General Reserves	69,683.00
f Retained Earnings	-440,639.29
g Un-audited current year cumulative profit/(loss)	
h Capital Redemption Reserve	
i Capital Adjustment Reserve	
j Debenture Redemption Reserve	
k Dividend Equalization Reserves	
l Other Free Reserve	
n Less: Goodwill	
o Less: Fictitious Assets	
p Less: Investment in equity in licensed Financial Institutions	
q Less: Investment in equity of institutions with financial interests	
r Less: Investment in equity of institutions in excess of limits	
s Less: Investments arising out of underwriting commitments	
t Less: Reciprocal crossholdings	
u Less: Purchase of land & building in excess of limit and unutilized	
v Less: Other Deductions	
B. Supplementary Capital (Tier 2)	82,661.77
a Cumulative and/or Redeemable Preference Share	-
b Subordinated Term Debt	-
c Hybrid Capital Instruments	-
d General loan loss provision	65,306.15
e Exchange Equalization Reserve	
f Investment Adjustment Reserve	
g Accrued Interest Receivable on pass loan included in Regulatory Reserve	17355.62272
h Interest Capitalized Reserve included in Regulatory Reserve	
i Other Reserves	0.00
Total Capital Fund (Tier I and Tier II)	559,811.49

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	4,587,126.67
b	Risk Weighted Exposure for Operational Risk	344,393.70
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	95,710.90
	2) 6.4a(9) Overall risk management policies and procedures are not satisfactory @4%	197,260.81
	3) 6.4a(10) Desired level of disclosure requirement has not been achieved @2% of RWE	0.00
Total Risk Weighted Exposures		5,224,492.08

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

		(NRs. '000')
A.	Balance Sheet Exposure	Amount
1	Claims on Government and central bank	
2	Claims on Other Official Entities	
3	Claims on banks	358,990.47
4	Claims on Corporate & securities firms	421,805.67
5	Claims on Regulatory Retail Portfolio	1,645,267.37
6	Claims Secured by Residential Properties	147,913.65
7	Claims Secured by Commercial Real Estate	189,538.49
8	Past due claims	249,070.08
9	High Risk Claims	533,655.64
10	Other Assets (as per attachment)	232,589.57
11	Off- Balance Sheet Exposures	22,251.47
	Total RWE for Credit Risk	3,801,082.40

4. Amount of Non Performing Assets

				(NRs. '000')
	Particulars	Gross	Provision	Net
A	Restructured	0.00	0.00	0.00
B	Sub-standard	160,124.11	39,656.07	120,468.05
C	Doubtful	86,351.87	42,383.15	43,968.71
D	Loss	117,750.40	109,020.89	8,729.51
	Total	364,226.38	191,060.11	173,166.27

5. Non Performing Assets Ratio (NPA Ratios)

		(%)
	Particulars	Ratio
	Gross NPA to Gross Advances	7.57%
	Net NPA to Net Advances	3.82%

4,810,040.74 4,531,563.56

6. Movement in Non Performing Assets

Particulars	This Quarter	Previous Quarter	Change %
Non Performing Assets	364,226.38	359,124.15	1.42%
Non Performing Assets %	7.57%	7.47%	1.37%

7. Write off of Loans and Interest in the 3rd Quarter 2080/81

		(NRs. '000')
	Particulars	Amount
	Write off Loans during the Quarter	1,123.56
	Write off Interest Suspense during the Quarter	-

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

Particulars	This Quarter	Previous Quarter	Change %
Loan Loss Provision	278,477.18	290,791.79	-4.23%
Interest Suspense	110,867.43	116,404.92	-4.76%

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

Particulars	This Quarter	Previous Quarter	Movement
Additional Loan Loss Provision	6,333.86	4,138.16	53%

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

Particulars	As on 2081.09.29
Held For Trading	0
Held For Maturity	660,000
Available for Sale	145,790

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

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 Administration Department (CCAD)

We have an independent Centralised Credit Administration Department (CCAD) 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. CCAD 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 CCAD 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 analyses the market risk and its impact on the finance regarding its effect 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 includes 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 its 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

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