

Shree Investment & Finance Co. Ltd.



Disclosures under Basel II For Third Quarter of FY 2079-80 ending Chaitra 2079

Capital Structure and Capital Adequacy:

1.1. Capital Adequacy Ratio

Particular	Ratio
Core Capital Ratio – Tier I	19.82%
Total Capital Ratio - Tier I + Tire II	20.97%

1.2. Total qualifying capital:

Qualifying Capital	Amount '000'
Tier I Core Capital Fund	1,183,140
Tire II Supplementary Capital Fund	68,666
Total Capital Fund	1,251,806

1.3. Tier 1 Capital and a breakdown of its components:

S.N.	Particular	Amount '000'
1	Paid up Equity Share Capital	981,683
2	Irredeemable Non-cumulative preference shares	
3	Share Premium	
4	Proposed Bonus Equity Shares	
5	Statutory General Reserves	244,664
6	Retained Earnings	1,732
7	Un-audited current year cumulative profit/(loss)	25,363
8	Capital Redemption Reserve	
9	Capital Adjustment Reserve	
10	Dividend Equalization Reserves	
11	Other Free Reserve	
12	Less: Goodwill	
13	Less: Deferred Tax Assets	
14	Less: Fictitious Assets	
15	Less: Investment in equity in licensed Financial Institutions	
16	Less: Investment in equity of institutions with financial interests	
17	Less: Investment in equity of institutions in excess of limits	
18	Less: Investments arising out of underwriting commitments	
19	Less: Reciprocal crossholdings	
20	Less: Purchase of land & building in excess of limit and unutilized	70,302
21	Less: Other Deductions	
	Total Tier I Capital	1,183,140

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1.4. Tier 2 Capital and Breakdown of its Components:

S.N.	Particular	Amount '000'
1	Cumulative and/or Redeemable Preference Share	
2	Subordinated Term Debt	
3	Hybrid Capital Instruments	
4	General loan loss provision	67,817
5	Exchange Equalization Reserve	
6	Investment Adjustment Reserve	848
7	Asset Revaluation Reserve	
8	Other Reserves	
	Total Tier II Capital	68,665

1.5. Deduction from capital.

Shree Investment and Finance Ltd has deducted purchase of land NPR 70,302,239 in calculation of Tier I capital fund.

2. Risk Exposures:

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

Risk Weighted Exposures	Amount '000'
Risk Weighted Exposure for Credit Risk	5,291,008
Risk Weighted Exposure for Operational Risk	430,772
Risk Weighted Exposure for Market Risk	
Add: 3% of the total RWE due to non-compliance of Disclosure Requirement (6.4 a 10)	76,028
Add:% of the total deposit due to insufficient Liquid Assets (6.4 a 6)	171,653
Total Risk Weighted Exposures	5,969,461

2.2 Risk weighted exposures under different categories of Credit Risk:

S.N	Categories	Amount '000'
1	Claims on Government and Central Bank	
2	Claims on Other Financial Entities	
3	Claims on Banks	97,953
4	Claims on Domestic Corporate and Securities Firms	1,270,321
5	Claims on Regulatory Retail Portfolio & Other Retail Portfolio	1,431,105
6	Claims secured by residential properties	540,857
7	Claims secured by Commercial real estate	689,657
8	Past due claims	35,636
9	High Risk claims	670,298
10	Lending against Share (Up to Rs.2.5 million)	12,030
11	Investment in equity and other Capital Instrument	100,335
12	Other Assets	216,624
13	Off Balance Sheet Items	226,191
	Total	5,291,007

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2.3 Total Risk Weight Exposures calculation Table:

RISK WEIGHTED EXPOSURES	Amount '000'
Risk Weighted Exposure for Credit Risk	5,291,007
Risk Weighted Exposure for Operational Risk	430,772
Risk Weighted Exposure for Market Risk	
Add: 3% of the total RWE due to non-compliance of Disclosure Requirement (6.4 a 7)	76,028
Add: 3% of the total deposit due to insufficient Liquid Assets (6.4 a 9)	171,654
Total Risk Weighted Exposures (After Bank's adjustment of Pillar II)	5,969,461
Total Core Capital	1,183,140
Total Capital Fund	1,251,806
Total Tier I Capital to Total Risk Weighted Exposures	19.82%
Total Capital Fund to Total Risk Weighted Exposures	20.97%

3 Details of Non-Performing loan

3.1 Amount of Non-Performing Assets (both Gross and Net):

'000'

S.N	Particulars	Gross Amount	Loan Loss Provision	Net NPL
1	Restructured	-	-	-
2	Sub-Standard	30,526	7,631	22,895
3	Doubtful	9,351	4,676	4,675
4	Loss	31,041	31,041	-
	Total	70,918	43,348	27,570

3.2. NPA Ratio:

NPA Ratio	%
Gross NPA to Gross Advances	1.26%
Net NPA to Net Advances	0.50%

3.3 Movement in Non-Performing Assets:

'000'

Particulars	This Quarter	Previous Quarter	Change (%)
Non-Performing Assets	70,918	76,047	(6.74)

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3.4 Write off Loans and Interest Suspense:

Particulars	Amount '000'
Write off loans during the quarter	-
Write off Interest Suspense quarter	-
Total	-

3.5. Movement in Loan Loss Provision:

Particulars	This Quarter	Previous Quarter	'000'
			Change (%)
Loan Loss Provision	127,637	126,094	1.22%

3.6. Details of Additional Loan Loss Provision during the year:

Particulars	Amount '000'
Pass	67,817
Watch List	16,472
Restructured	0
Sub-Standard	7,631
Doubtful	4,676
Loss	31,041
Additional	0
Total	127,637

3.7 Segregation of Investment Portfolio:

Particulars	Amount '000'
Held for Trading	
Held to Maturity	13,879.75
Available for sales	86,079.86
Total Investment	99,959.61

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

Shree Investment and Finance follows the Internal Capital Adequacy Assessment Process (ICAAP) and Risk Management Guideline while deciding on any business. It covers qualitative and quantitative information on risk capital adequacy assessment made by the management along with capital plan for the future business growth expected by the finance and meet the pillar I and pillar II risk to which the finance is exposed to.

The finance committees like Audit Committee, Risk Management Committee review the business and risk periodically and take necessary care of stress test result, return and capital in a sustainable manner. The finance has setup Assets Liability Management Committee to manage interest rate risk, liquidity risk, exchange risk, market risk etc. The finance perform gap analysis of its Assets and Liabilities to manage the liquidity risk. The finance consider the capital adequacy requirement

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pursuant to the provision set by Nepal Rastra Bank. The finance is well capitalized and able to maintain the required capital through internal generation and equally through capital market if needed.

6. Risk Management Function

The Shree Investment and Finance Ltd is vigilant to the risk factor and has adequate systems/procedures to assess the risk associated with day to day business. The finance takes risk considering the risk appetite of the finance and after assessment of strength and weaknesses in the internal and external environment. Periodic review are done in order to explore every possibility to gain insight on various risk factors and in order to find the best way to mitigate the risk associated.