



RASTRIYA BANIJYA BANK LTD.
SINGHADURBAR PLAZA, KATHMANDU, NEPAL

DISCLOSURE UNDER BASEL III CAPITAL ACCORD

THIRD QUARTER OF FY 2079-80 (2022-23) ENDING ON CHAITRA END, 2079

(AS PER CLAUSE 7.4 OF THE NEW CAPITAL ACCORD OF NEPAL RASTRA BANK)

1. CAPITAL ADEQUACY RATIO:

1.1. Capital Fund Ratio:

SN	CAPITAL ADEQUACY RATIOS	RATIO (%)
a	Common Equity Tier I (CET I) Capital Fund Ratio	11.57
b	Additional Tier I (AT I) Capital Fund Ratio	-
c	Total Core Capital Fund (Tier I) Ratio	11.57
d	Supplimentary Capital Fund (Tier II) Ratio	2.32
e	Total Capital Fund to Total Risk Weighted Exposures	13.89

2. LEVERAGE RATIO **7.93%** (Regulatory Requirement :> =4%)

Particulars	Amount NPR
Exposure Measure	377,798,338,877
1. On Balance Sheet Assets (Net of Specific Provision)	354,394,813,533
2. Repurchase Agreements and Securities Finance	-
3. Derivatives	-
4. Off Balance Sheet Exposure	23,403,525,343
Less : Regulatory Deductions from CET1 Capital (CAF 2.7 B.I.b)	1,086,500,158
Capital Measure	29,858,310,934
1. Common Equity Tier 1 Capital (After Regularory Adjustment)	29,858,310,934
2. Additional Tier 1 Capital	-
Leverage Ratio in Percentage	7.93

3. Components of Capital Fund:**3.1. Computation of Capital Fund as per prevailing format prescribed by Nepal Rastra Bank:****3.1.1. Core Capital (Tier 1) Fund and breakdown of its Components:**

SN	COMMON EQUITY TIER I (CET I) CAPITAL FUND	AMOUNT NPR	
		Current Period	Previous Period
a	Paid up Equity Share Capital	15,637,377,054	15,637,377,054
b	Equity Share Premium	-	-
c	Proposed Bonus Equity Shares	-	-
d	Statutory General Reserves	11,313,852,398	11,140,857,883
e	Retained Earnings	2,413,135,987	1,878,998,589
f	Un-audited current year cumulative profit/(loss)	-	-
g	Capital Redemption Reserves	1,093,750,000	937,500,000
h	Capital Adjustment Reserves(Capital Reserve Fund created as per direction of finance ministry in connection with condition related to loan waiver and reimbursement as per Small and Cottage Industries Loan Waiver Guidelines 2065)	481,195,653	481,195,653
i	Dividend Equalisation Reserves	-	-
j	Other free Reserves	5,500,000	5,500,000
k	Less: Goodwill	-	-
l	Less: Intangible Assets	57,646,893	55,629,702
m	Less: Deferred Tax Assets	-	-
n	Less: Fictitious Assets	-	-
o	Less: Investment in equity of Licensed Financial Institutions	-	-
p	Less: Investment in equity of institutions with Financial Interests	1,028,853,265	-
q	Less: Investment in equity of institutions in excess of the limits	-	351,111,100
r	Less: Investments arising out of Underwriting Commitments	-	-
s	Less: Reciprocal crossholdings	-	-
t	Less: Purchase of Land and Buildings in excess of limit and unutilized	-	-
u	Less: Cash Flow Hedge	-	-
v	Less: Defined Benefit Pension Assets	-	-
w	Less: Unrecognized Defined Benefit Pension Liabilities	-	-
x	Less: Other Deductions	-	-
	Adjustment under Pillar II		
	Less: Shortfall in Provision (6.4a 1)	-	-
	Less: Loans and Facilities extended to Related Parties and Restricted Lendings (6.4a 2)	-	-
	TOTAL COMMON EQUITY TIER I (CET I) CAPITAL FUND	29,858,310,934	29,674,688,377

3.1.2. Additional Tier I Capital Fund and breakdown of its Components:

SN	ADDITIONAL TIER I (AT) CAPITAL FUND	AMOUNT NPR	
		Current Period	Previous Period
a	Perpetual Non-cumulative Preference Share Capital	-	-
b	Perpetual Debt Instruments	-	-
c	Stock Premium	-	-
	TOTAL ADDITIONAL TIER I (AT I) CAPITAL FUND	-	-

3.1.3. Supplementary (Tier 2) Capital and breakdown of its Components:

SN	SUPPLEMENTARY (TIER II) CAPITAL FUND	AMOUNT NPR	
		Current Period	Previous Period
a	Cumulative and/or Redeemable Preference Shares	-	-
b	Sub-ordinated Term Debt	2,000,000,000	2,000,000,000
c	Hybrid Capital Instruments	-	-
d	Stock Premium	-	-
e	General Loan Loss Provision	3,754,502,253	3,768,190,287
f	Exchange Equalization Reserve	110,719,166	102,331,730
g	Investment Adjustment Reserve	15,845,700	15,845,700
h	Asset Revaluation Reserve	77,183,784	77,183,784
i	Other Reserves	45,111,656	45,111,656
	TOTAL SUPPLEMENTARY (TIER II) CAPITAL FUND	6,003,362,558	6,008,663,157

3.1.4. Total Capital Fund:

SN	CAPITAL FUNDS	AMOUNT NPR
a	Common Equity Tier I Capital Fund (CET I)	29,858,310,934
b	Additional Tier I Capital Fund (AT I)	-
c	Total Core Capital Fund (Tier I)	29,858,310,934
d	Supplementary Capital Fund (Tier II)	6,003,362,558
e	Total Capital Fund (Tier I + Tier II)	35,861,673,492

3.1.5. Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, and amount raised during the year and amount eligible to be reckoned as capital funds:

The Bank has issued debenture worth Rs. 2.50 billion named “8.5% RBBL Debenture, 2083” with maturity of 6 years.

3.2. Total qualifying capital fund: NPR.35,861,673,492

4. Risk weighted exposures for Credit Risk, Operational Risk and Market Risk

SN	RISK WEIGHTED EXPOSURES	AMOUNT NPR	
		Current Period	Previous Period
a	Credit Risk	229,618,049,982	241,292,688,461
b	Operational Risk	14,275,676,087	14,275,676,087
c	Market Risk	454,302,081	484,197,561
	<u>Adjustment under Pillar II</u>		
	Add : 4 % of the total Risk Weighted Exposures for unsatisfactory overall risk management policies and procedures (6.4a 9)	9,773,921,126	10,242,102,484
	Add :% oTotal Deposit RWE due to insufficient Liquid Assets (6.4a 6)	-	-
	Add : 4% of Gross total Income of Previous Financial Year for Inadequate Operational Risk Management Process(6.4a 7)	3,995,033,392	3,995,033,392
	Total Risk Weighted Exposures (After Banks adjustment of Pillar II)	258,116,982,669	270,289,697,985

5. Risk Weighted Exposures under each of 11 categories of Credit Risk:

SN	PARTICULARS	AMOUNT NPR	
		Current Period	Previous Period
1	Claims on govt. and central bank	-	-
2	Claims on other official entities	-	-
3	Claims on banks	5,255,904,001	1,511,649,339
4	Claims on corporate and securities firm	89,200,812,640	103,480,781,233
5	Claims on regulatory retail portfolio	53,842,108,710	48,811,600,371
6	Claims secured by residential properties	12,826,197,127	11,182,773,254
7	Claims secured by commercial real state	979,383,370	3,378,644,282
8	Past due claims	13,267,056,877	9,469,021,135
9	High risk claims	22,659,034,610	27,552,694,376
10	Other assets	18,265,712,452	22,431,240,838
11	Off Balance sheet items	13,321,840,195	13,474,283,633
	Total	229,618,049,982	241,292,688,461

6. Credit Risk Exposure Calculation Table

ASSETS	2079 Chaitra end					
	Book Value	Specific Provision	Eligible CRM	Net Amount	Risk Weight	Risk Weighted Exposures
On Balance Sheet Transactions	(a)	(b)	(c)	(d)= (a) - (b) - (c)	(e)	(f) = (d)*(e)
Cash Balance	5,674,611,888	-	-	5,674,611,888	0%	-
Balance with Nepal Rastra Bank (NRB)	15,718,960,148	-	-	15,718,960,148	0%	-
Gold	-	-	-	-	0%	-
Investments in Government of Nepal Bonds	55,839,900,017	-	-	55,839,900,017	0%	-
All Claims on Government of Nepal	2,898,963,635	-	-	2,898,963,635	0%	-
Investments in NRB Bonds	-	-	-	-	0%	-
All Claims on Nepal Rastra Bank	-	-	-	-	0%	-
Claims on Foreign Government and Central Banks (ECA rating 0-1)	-	-	-	-	0%	-
Claims on Foreign Government and Central Banks (ECA rating 2)	-	-	-	-	20%	-
Claims on Foreign Government and Central Banks (ECA rating 3)	-	-	-	-	50%	-
Claims on Foreign Government and Central Banks (ECA rating 4 - 6)	-	-	-	-	100%	-
Claims on Foreign Government and Central Banks (ECA rating 7)	-	-	-	-	150%	-
Claims on BIS, IMF, ECB, EC and Multilateral Development Banks	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	0%	-
Claims on Public Sector Entities (ECA rating 0-1)	-	-	-	-	20%	-
Claims on Public Sector Entities (ECA rating 2)	-	-	-	-	50%	-
Claims on Public Sector Entities (ECA rating 3- 6)	483,046,715	-	-	483,046,715	100%	483,046,715
Claims on Public Sector Entities (ECA rating 7)	-	-	-	-	150%	-
Claims on Domestic Banks that fulfill Capital Adequacy Requirement	25,016,615,482	-	-	25,016,615,482	20%	5,003,323,096
Claims on Domestic Banks that do not fulfill Capital Adequacy Requirement	0	-	-	0	100%	0
Claims on Foreign Banks (ECA rating 0-1)	1,262,904,523	-	-	1,262,904,523	20%	252,580,905
Claims on Foreign Banks (ECA rating 2)	-	-	-	-	50%	-
Claims on Foreign Banks (ECA rating 3- 6)	-	-	-	-	100%	-
Claims on Foreign Banks (ECA rating 7)	-	-	-	-	150%	-
Claims on Foreign Banks established in SAARC Region with buffer capital of 1% over the regulatory requirement of their country	-	-	-	-	20%	-
Claims on Domestic Corporates	87,850,558,708	-	-	87,850,558,708	100%	87,850,558,708
Claims on Foreign Corporates (ECA rating 0-1)	-	-	-	-	20%	-
Claims on Foreign Corporates (ECA rating 2)	-	-	-	-	50%	-
Claims on Foreign Corporates (ECA rating 3 -6)	-	-	-	-	100%	-
Claims on Foreign Corporates (ECA rating 7)	-	-	-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	92,578,875,799	-	20,789,397,520	71,789,478,280	75%	53,842,108,710
Regulatory Retail Portfolio Except for Granularity	-	-	-	-	100%	-
Claims Secured by Residential Properties	20,364,015,640	-	-	20,364,015,640	60%	12,218,409,384
Claims not fully Secured by Residential Properties	-	-	-	-	150%	-
Claims Secured by Residential Properties (Overdue)	607,787,743	-	-	607,787,743	100%	607,787,743
Claims Secured by Commercial Real Estate	979,383,370	-	-	979,383,370	100%	979,383,370
Past due Claim (Except for claims secured by Residential Properties)	8,844,704,585	-	-	8,844,704,585	150%	13,267,056,877
High Risk Claims	15,106,023,074	-	-	15,106,023,074	150%	22,659,034,610
Lending against securities	140,356,874	-	-	140,356,874	100%	140,356,874
Investments in Shares and Capital Instruments of company listed in Stock Exchange	1,652,939,305	-	-	1,652,939,305	100%	1,652,939,305
Investments in Shares and Capital Instruments of company not listed in Stock Exchange	772,276,060	-	-	772,276,060	150%	1,158,414,090
Employee Loans secured by residential properties	2,254,593,885	-	-	2,254,593,885	50%	1,127,296,942
Interest Receivable/Claims on Government securities	1,323,209,220	-	-	1,323,209,220	0%	-
Cash and Other transit items in receivable	147,257,139	2,620,960	-	144,636,179	20%	28,927,236
Other Assets	23,146,535,928	8,988,757,924	-	14,157,778,004	100%	14,157,778,004
Trust Receipt Loans for Trading Firms	722,672,680	-	-	722,672,680	120%	867,207,216
Total	363,386,192,417	8,991,378,884	20,789,397,520	333,605,416,013		216,296,209,787

ASSETS	2079 Chaitra end					
	Book Value	Specific Provision	Eligible CRM	Net Amount	Risk Weight	Risk Weighted Exposures
Off Balance Sheet Transactions	(a)	(b)	(c)	(d)= (a) - (b) - (c)	(e)	(f) = (d)*(e)
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	5,045,796	-	-	5,045,796	0%	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-
LC Commitments with Original Maturity Upto 6 months- Domestic counterparty	2,713,358,105	-	(709,711,493)	3,423,069,598	20%	684,613,920
-Foreign Counterparty (ECA 0-1)	-	-	-	-	20%	-
-Foreign Counterparty (ECA 2)	-	-	-	-	50%	-
-Foreign Counterparty (ECA 3 -6)	-	-	-	-	100%	-
-Foreign Counterparty (ECA 7)	-	-	-	-	150%	-
LC Commitments with Original Maturity Over 6 months - Domestic counterparty	-	-	-	-	50%	-
-Foreign Counterparty (ECA 0-1)	-	-	-	-	20%	-
-Foreign Counterparty (ECA 2)	-	-	-	-	50%	-
-Foreign Counterparty (ECA 3 -6)	-	-	-	-	100%	-
-Foreign Counterparty (ECA 7)	-	-	-	-	150%	-
Bid Bod, Performance Bond and Counter Guarantee - Domestic Counterparty	9,438,528,238	-	296,074,467	9,142,453,771	40%	3,656,981,509
-Foreign Counterparty (ECA 0-1)	-	-	-	-	20%	-
-Foreign Counterparty (ECA 2)	-	-	-	-	50%	-
-Foreign Counterparty (ECA 3 -6)	-	-	-	-	100%	-
-Foreign Counterparty (ECA 7)	-	-	-	-	150%	-
Underwriting Commitments	-	-	-	-	50%	-
Lending of Banks Securities or Posting of Securities as Collateral	-	-	-	-	100%	-
Repurchase agreements, assets sale with recourse	-	-	-	-	100%	-
Advance Payment Guarantee	481,135,376	-	-	481,135,376	100%	481,135,376
Financial Guarantee	1,362,195,276	-	-	1,362,195,276	100%	1,362,195,276
Acceptances and Endorsements	-	-	-	-	100%	-
Unpaid Portion of Partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit Commitments (short term)	793,960,402	-	-	793,960,402	20%	158,792,080
Irrevocable Credit Commitments (long term)	3,262,360,231	-	-	3,262,360,231	50%	1,631,180,116
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-
Other Contingent Liabilities	5,346,941,919	-	-	5,346,941,919	100%	5,346,941,919
Unpaid Guarantee Claims	-	-	-	-	200%	-
Total	23,403,525,343	-	(413,637,027)	23,817,162,370		13,321,840,195

7. <u>Amount of NPA:</u>	Gross: This Quarter	NPR 6,346,151,950
	Previous Quarter	NPR 6,568,895,694
8. <u>NPA Ratios:</u>	Gross: This Quarter	2.67%
	Previous Quarter	2.79%

9. **Movement of Loans and Advances:**

	Classification of Loan	2079 Chaitra end	2079 Poush end	Changes
		Gross	Gross	
A	Pass Loan	231,121,447,872	228,962,562,695	2,158,885,176.850
	Good loan	210,545,856,561	208,579,693,744	1,966,162,818
	Watch List	20,575,591,311	20,382,868,952	192,722,359
B	NPA	6,346,151,950	6,568,895,694	(222,743,744)
	Restructure/Reschedule Loan	706,567,841	706,988,717	(420,876)
	Substandard loan	1,578,199,728	1,597,859,963	(19,660,235)
	Doubtful Loan	910,452,326	965,524,681	(55,072,355)
	Loss Loan	3,150,932,055	3,298,522,334	(147,590,279)
C	Total	237,467,599,822	235,531,458,390	1,936,141,433

10. **Write off of Loans & Interest Suspense:**

10.1. Bank has not written off any loan during this quarter.

10.2. Balance of Interest suspense account as on this quarter end is NPR 8,616,238,933

Particulars	2079 Chaitra end	2079 Poush end	Changes
Interest Suspense	8,616,238,933	7,873,685,742	742,553,191

11. **Movement in Loan Loss Provisions:**

Loan Loss Provision as on end of this quarter is NPR 7,872,453,979. It has been decreased by NPR 164,859,562 in this quarter as compared to previous quarter.

Particulars	2079 Chaitra end	2079 Poush end	Changes
Total Loan Loss provision	7,872,453,979	8,037,313,541	(164,859,562)

12. **Segregation of investment portfolio into Held for trading, Held to maturity and Available for sale category:**

All the investments are classified as held to maturity category except shares and debentures in Financial Institutions and organized bodies which are categorized as available for sale.

13. **Internal Capital Adequacy Assessment Process (ICAAP) Policy:**

Bank has formulated ICAAP Policy, 2015 in compliance to Nepal Rastra Bank's Internal Capital Adequacy Assessment Process (ICAAP) Guidelines 2012 (updated 2013), in order to provide a framework for ensuring setting up of systematic Internal Capital Adequacy Assessment Process of the Bank. The Bank firmly believes that capital of the bank is a cushion that protects the depositors and other stakeholders in case of any adverse eventuality. The capital of the bank should be linked to the level of loss that the bank faces. Thus, capital buffers should be placed for all the material risks rather than mere Credit, Market and Operational risk as specified by the Pillar -1 of the Capital Adequacy Framework under the Basel III norms. RBBL hopes that the "ICAAP Policy 2015" will lay a foundation stone in measurement and monitoring of Economic Capital of

the bank. Besides, the bank is committed to ensure that sufficient capital is always maintained to cover up for the risk of losses arising from all the material risks.

Major areas of coverage of ICAAP Policy of the Bank are Board and Senior Management Oversight, Sound Capital Assessment, Comprehensive assessment of risks, Stress Testing, Monitoring and Reporting and Internal Control and Review.

14. Risk Management System:

The Bank is fully owned by the Government of Nepal. The Capitalization Plan of the bank has been successfully implemented increasing its capital base. The Board of Directors and the Management of the Bank are responsible for implementing and strengthening Risk Management Systems.

Credit Risk Management System:

- Risk Management Committee, Central Credit Committee chaired by CEO, DGM level Credit Committee, Credit Committee at Department level, Regional Office Credit Committee, Branch Office Credit Committee and Credit Chief are responsible at different level to identify and implement tools to mitigate credit risk.
- Credit is approved, disbursed, monitored and reviewed following credit approval, disbursement, monitoring and review procedures described in the "Credit Manual 2060"(as amended 2014) and internal circular issued by the management from time to time.
- Risk Management Committee and Loan Recovery and Debt Restructuring Committee are responsible to identify large and problematic loans and to recovery write off of such loan.
- Credit concentration is monitored periodically and the bank bears a highly diverse credit portfolio with large number of borrowers.
- The responsibility for review of investment on half yearly basis has been vested to Internal Audit Department by the Treasury and Investment Manual of the Bank. The investment review report is submitted to Nepal Rastra Bank and Treasury Department by the Internal Audit Department on half yearly basis.

Market Risk Management Systems:

The Bank uses the liquidity table and gap analysis for management of market risk. The Bank has its own Investment and Treasury Operations Manual as a guiding document for the management of market risk. Assets and Liabilities Committee (ALCO) has been established to review the interest rate exposures at periodic intervals and suggest corrective measures to the management. The ALCO also reviews liquidity risk on monthly basis.

Operational Risk Management System:

Different aspects of operational risks are addressed by in various policies, manuals, circulars and instructions of the Bank. The following policies, procedures and guidelines are implemented by the Bank, which contains relative controls to address different aspects of risks associated with the operations:

- Functional Organizational Structure
- Branch Operation Manual 2064 (as updated 2077)
- Investment and Treasury Operations Manual, 2014
- Credit Manual 2077
- Collateral Security Valuation Directives 2064
- Accounting Manual 2061
- Financial Administration Bye-Rules 2068
- RBBL Loan Write Off Bye Laws 2075
- Budget Manual 2060
- Audit Manual 2060
- Agricultural Loan Policy and Manual 2069
- Loan Recovery Directives 2071
- Employee Service Bye Rule 2070
- Departmental Operating Instructions and manual for various departments
- Information and Communication Technology (ICT) Policy and Guidelines-2021
- ICAAP Policy, 2015
- Risk Management Policy Guideline 2016

Branch Operation Department

This department is responsible to oversee the overall functioning of the bank branches. A separate Legal Department headed by a legal office, as also by professional lawyers on retainer basis whose services are available on call and as and when required is in place to minimize the legal risk.

Internal Control Systems

The effectiveness of the internal control system of the bank is reviewed regularly by the Board, its Committees, Management Committee, and Internal Audit Department. In conformity with the NRB directives, the bank has constituted a three member- Audit Committee consisting of two Non-Executive Directors. The committee reviews periodic reports and investigation reports submitted by the Internal Audit Department and Regional Audit Units and give suggestions /directions to the management as required. The Internal Audit Department monitors compliance with policies and standards and the effectiveness of internal control system throughout the organization.

***** THE END*****