



**RASTRIYA BANIJYA BANK LTD.**  
 (Entity formed after the Merger of Rastriya Banijya Bank Ltd. and NIDC Development Bank Ltd.)  
 SINGHADURBAR PLAZA, KATHMANDU, NEPAL

**DISCLOSURE UNDER BASEL III CAPITAL ACCORD**  
**FIRST QUARTER OF FY 2075-76 (2018-19) ENDING ON ASHWIN END, 2075**  
 (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            | 12.23        |
| b  | Additional Tier I (AT I) Capital Fund Ratio                | -            |
| c  | <b>Total Core Capital Fund (Tier I) Ratio</b>              | <b>12.23</b> |
| d  | Supplimentary Capital Fund (Tier II) Ratio                 | 1.52         |
| e  | <b>Total Capital Fund to Total Risk Weighted Exposures</b> | <b>13.75</b> |

**2. LEVERAGE RATIO 6.87% (Regulatory Requirement :> =4%)**

| Particulars  | Amount NPR                |
|--|---------------------------|
| <b>Exposure Measure</b>  | <b>214,028,179,685.13</b> |
| 1. On Balance Sheet Assets (Net of Specific Provision)         | 202,124,349,419.91        |
| 2. Repurchase Agreements and Securities Finance                | -                         |
| 3. Derivatives   | -                         |
| 4. Off Balance Sheet Exposure                                  | 11,903,830,265.22         |
| <b>Capital Measure</b>   | <b>15,909,343,097.34</b>  |
| 1. Common Equity Tier 1 Capital ( After Regularory Adjustment) | 15,909,343,097.34         |
| 2. Additional Tier 1 Capital                                   | -                         |
| <b>Leverage Ratio in Percentage</b>                            | <b>7.43</b>               |

**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  | 9,004,795,700.00         | 9,004,795,700            |
| b  | Equity Share Premium  | -                        | -                        |
| c  | Proposed Bonus Equity Shares  | -                        | -                        |
| d  | Statutory General Reserves  | 7,303,502,354.44         | 7,303,502,354            |
| e  | Retained Earnings   | 3,697,478,291.00         | 328,867,546              |
| f  | Un-audited current year cumulative profit/(loss)  | 722,373,234.88           | 3,368,610,745            |
| g  | Capital Redemption Reserves   | -                        | -                        |
| h  | Capital Adjustment Reserves( Capital Reserve Fund created                               | 481,195,652.93           | 481,195,653              |
| i  | Dividend Equalisation Reserves  | -                        | -                        |
| j  | Other free Reserves   | (3,843,160,486.30)       | (3,843,160,486)          |
| k  | Less: Goodwill  | -                        | -                        |
| l  | Less: Intangible Assets   | 24,358,344.46            | 24,829,371               |
| m  | Less: Deferred Tax Assets   | 1,093,951,905.14         | 1,094,258,078            |
| n  | Less: Fictitious Assets   | -                        | -                        |
| o  | Less: Investment in equity of Licensed Financial Institutions                           | -                        | -                        |
| p  | Less: Investment in equity of institutions with Financial Interests                     | 242,858,000.00           | 242,858,000              |
| q  | Less: Investment in equity of institutions in excess of the limits                      | 95,673,400.00            | 54,676,150               |
| 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  | -                        | -                        |
|    | <b>Adjustment under Pillar II</b>   |                          |                          |
|    | Less: Shortfall in Provision (6.4a 1)   | -                        | -                        |
|    | Less: Loans and Facilities extended to Related Parties and Restricted Lendings (6.4a 2) | -                        | -                        |
|    | <b>TOTAL COMMON EQUITY TIER I (CET I) CAPITAL FUND</b>                                  | <b>15,909,343,097.34</b> | <b>15,227,189,913.44</b> |

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

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

### 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                        | -                       | -                       |
| c   | Hybrid Capital Instruments                     | -                       | -                       |
| d   | Stock Premium                                  | -                       | -                       |
| e   | General Loan Loss Provision                    | 1,625,658,843.58        | 1,307,801,577           |
| f   | Exchange Equalization Reserve                  | 97,319,665.62           | 97,319,666              |
| g   | Investment Adjustment Reserve                  | 40,907,539.17           | 40,907,539              |
| h   | Asset Revaluation Reserve                      | 37,975,952.81           | 31,618,807              |
| i   | Other Reserves                                 | 175,819,131.55          | 175,819,132             |
| <b>TOTAL SUPPLEMENTARY (TIER II) CAPITAL FUND</b> |  | <b>1,977,681,132.73</b> | <b>1,653,466,721.16</b> |

### 3.1.4. Total Capital Fund:

| SN | CAPITAL FUNDS                                | AMOUNT NPR               |
|----|--|--------------------------|
| a  | Common Equity Tier I Capital Fund (CET I)    | 15,909,343,097.34        |
| b  | Additional Tier I Capital Fund (AT I)        | -                        |
| c  | <b>Total Core Capital Fund (Tier I)</b>      | <b>15,909,343,097.34</b> |
| d  | Supplimentary Capital Fund (Tier II)         | 1,977,681,132.73         |
| e  | <b>Total Capital Fund (Tier I + Tier II)</b> | <b>17,887,024,230.08</b> |

### 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: Not applicable

3.2. Total qualifying capital fund: NRS. 17,887,024,230.08

### 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  | 106,431,263,281.09        | 100,954,898,325           |
| b  | Operational Risk   | 13,726,209,647.97         | 11,185,196,430            |
| c  | Market Risk  | 290,200,701.83            | 247,474,049               |
| <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) | 4,817,906,945.24          | 4,495,502,752             |
|  | 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)       | 4,787,126,910.19          | 3,529,921,572             |
| <b>Total Risk Weighted Exposures (After Banks adjustment of Pillar II)</b> |  | <b>130,052,707,486.31</b> | <b>120,412,993,128.96</b> |

**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                         | 1,698,605,361.89          | 485,467,292               |
| 4  | Claims on corporate and securities firm | 39,001,895,785.15         | 35,482,714,690            |
| 5  | Claims on regulatory retail portfolio   | 38,289,352,779.70         | 39,434,792,101            |
| 6  | Claim secured by residential properties | 6,046,160,140.73          | 5,911,943,912             |
| 7  | Claims secured by commercial real state | 1,317,785,607.12          | 1,280,790,090             |
| 8  | Past due claims                         | 2,277,336,777.11          | 2,184,957,005             |
| 9  | High risk claims                        | 6,964,972,405.10          | 7,094,696,037             |
| 10 | Other assets                            | 4,619,568,491.44          | 4,198,040,550             |
| 11 | Off Balance sheet items                 | 6,215,585,932.85          | 4,881,496,648             |
|    | <b>Total</b>                            | <b>106,431,263,281.09</b> | <b>100,954,898,325.33</b> |

**6. Credit Risk Exposure Calculation Table**

| ASSETS   | 2075 Aswin                |                          |                          |                           |             |                           |
|--|---------------------------|--------------------------|--------------------------|---------------------------|-------------|---------------------------|
|  | 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   | 4,667,182,672             | -                        | -                        | 4,667,182,672             | 0%          | -                         |
| Balance with Nepal Rastra Bank (NRB)   | 10,065,621,235            | -                        | -                        | 10,065,621,235            | 0%          | -                         |
| Gold   | -                         | -                        | -                        | -                         | 0%          | -                         |
| Investments in Government of Nepal Bonds   | 37,439,293,420            | -                        | -                        | 37,439,293,420            | 0%          | -                         |
| All Claims on Government of Nepal  | 17,737,907,083            | -                        | -                        | 17,737,907,083            | 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 )   | 1,446,165,392             | 74,700,580               | -                        | 1,371,464,812             | 100%        | 1,371,464,812             |
| Claims on Public Sector Entities ( ECA rating 7 )  | -                         | -                        | -                        | -                         | 150%        | -                         |
| Claims on Domestic Banks that fulfill Capital Adequacy Requirement   | 6,825,211,038             | -                        | -                        | 6,825,211,038             | 20%         | 1,365,042,208             |
| Claims on Domestic Banks that do not fulfill Capital Adequacy Requirement  | -                         | -                        | -                        | -                         | 100%        | -                         |
| Claims on Foreign Banks ( ECA rating 0-1 )   | 160,012,636               | -                        | -                        | 160,012,636               | 20%         | 32,002,527                |
| Claims on Foreign Banks ( ECA rating 2 )   | 7,781,395                 | -                        | -                        | 7,781,395                 | 50%         | 3,890,697                 |
| Claims on Foreign Banks ( ECA rating 3- 6 )  | 367,307,267               | 69,637,337               | -                        | 297,669,930               | 100%        | 297,669,930               |
| 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  | 37,630,430,973            | -                        | -                        | 37,630,430,973            | 100%        | 37,630,430,973            |
| 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 )  | 61,247,688,777            | -                        | 10,195,218,404           | 51,052,470,373            | 75%         | 38,289,352,780            |
| Regulatory Retail Portfolio Except for Granularity   | -                         | -                        | -                        | -                         | 100%        | -                         |
| Claims Secured by Residential Properties   | 10,076,933,568            | -                        | -                        | 10,076,933,568            | 60%         | 6,046,160,141             |
| Claims not fully Secured by Residential Properties   | -                         | -                        | -                        | -                         | 150%        | -                         |
| Claims Secured by Residential Properties ( Overdue)  | -                         | 15,996,605               | -                        | -                         | 100%        | -                         |
| Claims Secured by Commercial Real Estate   | 1,317,785,607             | -                        | -                        | 1,317,785,607             | 100%        | 1,317,785,607             |
| Past due Claim (Except for claims secured by Residential Properties)   | 4,636,045,178             | 3,117,820,660            | -                        | 1,518,224,518             | 150%        | 2,277,336,777             |
| High Risk Claims   | 4,643,314,937             | -                        | -                        | 4,643,314,937             | 150%        | 6,964,972,405             |
| Investments in Shares and Capital Instruments of company listed in Stock Exchange  | 446,234,630               | -                        | -                        | 446,234,630               | 100%        | 446,234,630               |
| Investments in Shares and Capital Instruments of company not listed in Stock Exchange  | 21,886,200                | 16,533,200               | -                        | 5,353,000                 | 150%        | 8,029,500                 |
| Employee Loans secured by residential properties   | 3,025,299,524             | -                        | -                        | 3,025,299,524             | 60%         | 1,815,179,714             |
| Interest Receivable/Claims on Government securities  | 470,895,441               | -                        | -                        | 470,895,441               | 0%          | -                         |
| Cash and Other transit items in receivable   | 1,053,657,189             | 8,761,959                | -                        | 1,044,895,230             | 20%         | 208,979,046               |
| Other Assets   | 15,954,935,680            | 13,813,790,078           | -                        | 2,141,145,601             | 100%        | 2,141,145,601             |
| <b>Total</b>   | <b>219,241,589,839.00</b> | <b>17,117,240,419.09</b> | <b>10,195,218,403.86</b> | <b>191,945,127,621.09</b> |             | <b>100,215,677,348.24</b> |

| ASSETS  | 2075 Aswin               |                    |                       |                          |             |                         |
|---|--------------------------|--------------------|-----------------------|--------------------------|-------------|-------------------------|
|   | Book Value               | Specific Provision | Eligible CRM          | Net Amount               | Risk Weight | Risk Weighted Exposures |
|   | (a)                      | (b)                | (c)                   | (d)= (a) - (b) - (c)     | (e)         | (f) = (d)*(e)           |
| <b>Off Balance Sheet Transactions</b>   |                          |                    |                       |                          |             |                         |
| Revocable Commitments   | -                        | -                  | -                     | -                        | 0%          | -                       |
| Bills Under Collection  | 8,199,423                | -                  | -                     | 8,199,423                | 0%          | -                       |
| Forward Exchange Contract Liabilities   | -                        | -                  | -                     | -                        | 10%         | -                       |
| LC Commitments with Original Maturity Upto 6 months- Domestic counterparty  | 95,242,834               | -                  | 240,552,382           | -                        | 20%         | -                       |
| -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   | 44,688,481               | -                  | -                     | 44,688,481               | 50%         | 22,344,240              |
| -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   | 2,351,485,906            | -                  | 175,664,784           | 2,175,821,122            | 50%         | 1,087,910,561           |
| -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   | 293,109,089              | -                  | -                     | 293,109,089              | 100%        | 293,109,089             |
| Financial Guarantee   | 116,153,930              | -                  | -                     | 116,153,930              | 100%        | 116,153,930             |
| Acceptances and Endorsements  | -                        | -                  | -                     | -                        | 100%        | -                       |
| Unpaid Portion of Partly paid shares and securities   | -                        | -                  | -                     | -                        | 100%        | -                       |
| Irrevocable Credit Commitments ( short term )   | 2,989,397,843            | -                  | -                     | 2,989,397,843            | 20%         | 597,879,569             |
| Irrevocable Credit Commitments ( long term )  | 3,814,728,430            | -                  | -                     | 3,814,728,430            | 50%         | 1,907,364,215           |
| Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement | -                        | -                  | -                     | -                        | 20%         | -                       |
| Other Contingent Liabilities  | 2,190,824,329            | -                  | -                     | 2,190,824,329            | 100%        | 2,190,824,329           |
| Unpaid Guarantee Claims   | -                        | -                  | -                     | -                        | 200%        | -                       |
| <b>Total</b>  | <b>11,903,830,265.22</b> | <b>-</b>           | <b>416,217,165.79</b> | <b>11,632,922,647.57</b> |             | <b>6,215,585,932.85</b> |

|                                 |                            |                             |
|---------------------------------|----------------------------|-----------------------------|
| 7. <b><u>Amount of NPA:</u></b> | <b>Gross:</b> This Quarter | <b>NPR 4,636,045,177.58</b> |
|                                 | Previous Quarter           | <b>NPR 5,132,326,858.90</b> |
| 8. <b><u>NPA ratios:</u></b>    | <b>Gross:</b> This Quarter | <b>3.83%</b>                |
|                                 | Previous Quarter           | <b>4.25%</b>                |

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

|          | Classification of Loan      | 2075 Aswin End            | 2075 Ashad End            | Changes                 |
|----------|-----------------------------|---------------------------|---------------------------|-------------------------|
|          |                             | Gross                     | Gross                     |                         |
| <b>A</b> | <b>Pass Loan</b>            | <b>116,486,429,378.67</b> | <b>115,739,884,977.67</b> | <b>746,544,400.99</b>   |
|          | Good loan                   | 113,654,410,739           | 111,979,816,789           | 1,674,593,950           |
|          | Watch List                  | 2,832,018,639             | 3,760,068,189             | (928,049,549)           |
| <b>B</b> | <b>NPA</b>                  | <b>4,636,045,177.58</b>   | <b>5,132,326,858.90</b>   | <b>(496,281,681.32)</b> |
|          | Restructure/Reschedule Loan | -                         | -                         | -                       |
|          | Substandard loan            | 1,531,171,743             | 1,293,227,028             | 237,944,714.99          |
|          | Doubtful Loan               | 707,698,212               | 784,967,630               | (77,269,418.47)         |
|          | Loss Loan                   | 2,397,175,223             | 3,054,132,201             | (656,956,977.84)        |
| <b>C</b> | <b>Total</b>                | <b>121,122,474,556.25</b> | <b>120,872,211,836.57</b> | <b>250,262,719.68</b>   |

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.12,470,243,788.06

| Particulars       | 2075 Aswin End    | 2075 Ashad End    | Changes        |
|-------------------|-------------------|-------------------|----------------|
| Interest Suspense | 12,470,243,788.06 | 11,654,526,907.64 | 815,716,880.42 |

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

Loan Loss Provision as on end of this quarter is NPR. 5,376,364,753 It has been increased by NPR 298,640,403.19 in this quarter as compared to previous quarter.

| Particulars               | 2075 Aswin End | 2075 Ashad End | Changes        |
|---------------------------|----------------|----------------|----------------|
| Total Loan Loss provision | 5,376,364,753  | 5,077,724,350  | 298,640,403.19 |

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 risk 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 2069)
- Investment and Treasury Operations Manual, 2014
- Credit Manual 2060 (as amended 2014)
- Collateral Security Valuation Directives 2064
- Accounting Manual 2061
- Financial Administration Bye-Rules 2068
- RBBL Loan Write Off Bye-Rules 2062
- 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-2012
- 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 four 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\*\*\*