



RASTRIYA BANIJYA BANK LTD.
CENTRAL OFFICE
 SINGHADURBAR PLAZA, KATHMANDU NEPAL

DISCLOSURE UNDER BASEL II CAPITAL ACCORD
FIRST QUARTER OF FY 2073-74 (2016-17) ENDING ON ASHWIN END, 2073
(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	10.17
b	Additional Tier I (AT I) Capital Fund Ratio	-
c	Total Core Capital Fund (Tier I) Ratio	10.17
d	Supplementary Capital Fund (Tier II) Ratio	1.36
e	Total Capital Fund to Total Risk Weighted Exposures	11.53

2. LEVERAGE RATIO (Computed as per Requirement of New Format Prescribed by Nepal Rastra Bank): 5.40% (Regulatory Requirement: >=4%)

Particulars	ASHWIN END 2073
Exposure Measure	170,170,364,496.50
1. On Balance Sheet Assets (Net of Specific Provision)	161,122,216,770.69
2. Repurchase Agreements and Securities Finance	-
3. Derivatives	-
4. Off Balance Sheet Exposure	9,048,147,725.81
Capital Measure	8,691.73
1. Common Equity Tier 1 Capital (After Regularory Adjustment)	8,691.73
2. Additional Tier 1 Capital	-
Leverage Ratio in Percentage	5.40

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	ASHWIN END 2073.
a	Paid up Equity Share Capital	8,588,972,300.00
b	Equity Share Premium	-
c	Proposed Bonus Equity Shares	-
d	Statutory General Reserves	4,984,334,968.97
e	Retained Earnings	(4,137,453,277.31)
f	Un-audited current year cumulative profit/(loss)	500,833,586.07
g	Capital Redemption Reserves	-
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)	481,195,652.93
i	Dividend Equalization Reserves	-
j	Other free Reserves	(693,077,418.32)
k	Less: Goodwill	-
l	Less: Intangible Assets	5,953,214.42
m	Less: Deferred Tax Assets	381,201,074.60
n	Less: Fictitious Assets	-
o	Less: Investment in equity of Licensed Financial Intitutions	-
p	Less: Investment in equity of institutions with Financial Interests	144,005,600.00
q	Less: Investment in equity of institutions in excess of the limits	-
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)	100,000.00
	TOTAL COMMON EQUITY TIER I (CET I) CAPITAL FUND	9,193,545,923.32

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

SN	ADDITIONAL TIER I (AT) CAPITAL FUND	ASHWIN END 2073	ASHADH END 2073
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 NRs.
a	Cumulative and/or Redeemable Preference Shares	-
b	Sub-ordinated Term Debt	-
c	Hybrid Capital Instruments	-
d	Stock Premium	-
e	General Loan Loss Provision	1,129,545,263.60
f	Exchange Equalization Reserve	97,319,665.62
g	Investment Adjustment Reserve	1,625,211.63
h	Asset Revaluation Reserve	-
i	Other Reserves	-
TOTAL SUPPLEMENTARY (TIER II) CAPITAL FUND		1,228,490,140.85

3.1.4. Total Capital Fund:

SN	CAPITAL FUNDS	AMOUNT NRs.
a	Common Equity Tier I Capital Fund (CET I)	9,193,545,923.32
b	Additional Tier I Capital Fund (AT I)	-
c	Total Core Capital Fund (Tier I)	9,193,545,923.32
d	Supplementary Capital Fund (Tier II)	1,228,490,140.85
e	Total Capital Fund (Tier I + Tier II)	10,422,036,064.17

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: NPR. 10,422,036,064.10**

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

		<i>Amount in Rs.</i>	
SN	RISK WEIGHTED EXPOSURES	2073 ASHWIN END	2073 ASHAD END
a	Credit Risk	74,995,723,782.70	73,218,345,268
b	Operational Risk	9,176,906,613.37	7,970,457,879
c	Market Risk	150,331,750.06	145,143,235
<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)	3,372,918,485.85	3,253,357,855
	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)	2,667,740,455.97	2,754,316,336
Total Risk Weighted Exposures (After Banks adjustment of Pillar II)		90,363,621,087.94	87,341,620,573.35

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

SN	PARTICULARS	ASHWIN END 2073	ASHADH END 2073
1	Claims on govt. and central bank	-	-
2	Claims on other official entities	-	-
3	Claims on banks	2,055,575,047.21	1,457,828,201
4	Claims on corporate and securities firm	28,291,976,057.76	27,073,598,017
5	Claims on regulatory retail portfolio	29,013,622,695.33	28,708,857,755
6	Claim secured by residential properties	3,701,616,193.82	3,663,918,175
7	Claims secured by commercial real state	1,183,650,302.40	1,057,750,676
8	Past due claims	1,229,180,834.04	848,887,421
9	High risk claims	2,811,703,166.48	2,731,144,957
10	Other assets	3,151,169,976.20	3,898,281,838
11	Off Balance sheet items	3,557,229,509.46	3,778,078,228
Total		74,995,723,782.70	73,218,345,267.82

6. Credit Risk Exposure Calculation Table:

Capital Adequacy Report as per Basel II

First Quarter of F/Y 2073-74(2016-17)

ASSETS	2073 Ashwin					
	Book Value	Specific Provision	Eligible CRM	Net Amount	Risk Weight	Risk Weighted Exposures
	(a)	(b)	(c)	(d)=(a) - (b) - (c)	(e)	(f) = (d)*(e)
On Balance Sheet Transactions						
Cash Balance	4,894,857,911	-	-	4,894,857,911	0%	-
Balance with Nepal Rastra Bank (NRB)	12,371,500,386	-	-	12,371,500,386	0%	-
Gold	-	-	-	-	0%	-
Investments in Government of Nepal Bonds	40,172,407,896	-	-	40,172,407,896	0%	-
All Claims on Government of Nepal	9,056,396,050	-	-	9,056,396,050	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	-	-	-	-	100%	-
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)	-	-	-	-	100%	-
Claims on Public Sector Entities (ECA rating 7)	1,274,265,644	4,975,000	-	1,269,290,644	150%	1,903,935,966
Claims on Domestic Banks that fulfill Capital Adequacy Requirement	3,881,373,031	-	-	3,881,373,031	20%	776,274,606
Requirement	722,049,957	-	-	722,049,957	100%	722,049,957
Claims on Foreign Banks (ECA rating 0-1)	1,552,602,653	-	-	1,552,602,653	20%	310,520,531
Claims on Foreign Banks (ECA rating 2)	16,847,248	-	-	16,847,248	50%	8,423,624
Claims on Foreign Banks (ECA rating 3- 6)	158,673,193	53,192,198	-	105,480,994	100%	105,480,994
Claims on Foreign Banks (ECA rating 7)	88,550,223	-	-	88,550,223	150%	132,825,335
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	26,396,256,411	-	8,216,320	26,388,040,091	100%	26,388,040,091
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)	46,073,943,213	-	7,389,112,952	38,684,830,260	75%	29,013,622,695
Regulatory Retail Portfolio Except for Granularity	-	-	-	-	100%	-
Claims Secured by Residential Properties	6,134,883,618	-	-	6,134,883,618	60%	3,680,930,171
Claims not fully Secured by Residential Properties	-	-	-	-	150%	-
Claims Secured by Residential Properties (Overdue)	72,823,381	52,137,359	-	20,686,023	100%	20,686,023
Claims Secured by Commercial Real Estate	1,183,650,302	-	-	1,183,650,302	100%	1,183,650,302
Past due Claim (Except for claims secured by Residetal Properties)	2,767,488,549	1,948,034,660	-	819,453,889	150%	1,229,180,834
High Risk Claims	1,874,468,778	-	-	1,874,468,778	150%	2,811,703,166
Investments in Shares and Capital Instruments of company listed in Stock Exchange	52,473,580	-	-	52,473,580	100%	52,473,580
Investments in Shares and Capital Instruments of company not listed in Stock Exchange	25,622,800	588,000	-	25,034,800	150%	37,552,200
Employee Loans secured by residnetial properties	2,367,282,240	-	-	2,367,282,240	60%	1,420,369,344
Interest Receivable/Claims on Government securities	135,955,293	-	-	135,955,293	0%	-
Cash and Other transit items in receivable	354,244,934	21,748,961	-	332,495,973	20%	66,499,195
Other Assets	12,601,369,385	11,027,093,728	-	1,574,275,658	100%	1,574,275,658
Total	174,229,986,676.87	13,107,769,906.18	7,397,329,272.18	153,724,887,498.51		71,438,494,273.24

Capital Adequacy Report as per Basel II

First Quarter of F/Y 2016-17

ASSETS	2016 Ashwin					
	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	63,175,776	-	-	63,175,776	0%	-
Forward Exchange Contract Liabilities	650,880,000	-	-	650,880,000	10%	65,088,000
LC Commitments with Original Maturity Upto 6 months- Domestic counterparty	863,533,957	-	111,189,299	752,344,657	20%	150,468,931
-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	56,358,795	-	-	56,358,795	50%	28,179,398
-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	1,971,808,549	-	100,112,011	1,871,696,538	50%	935,848,269
-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	358,396,187	-	-	358,396,187	100%	358,396,187
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsements	-	-	-	-	100%	-
Unpaid Portion of Partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit Commitments (short term)	2,580,998,261	-	-	2,580,998,261	20%	516,199,652
Irrevocable Credit Commitments (long term)	1,999,894,257	-	-	1,999,894,257	50%	999,947,129
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-
Other Contingent Liabilities	503,101,943	-	-	503,101,943	100%	503,101,943
Unpaid Guarantee Claims	-	-	-	-	200%	-
Total	9,048,147,725.81	-	211,301,310.07	8,836,846,415.74		3,557,229,509.46

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" 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
 - Investment and Treasury Operations Manual, 2005 (as amended 2014)
 - Collateral Security Valuation Directives 2064
 - Financial Administration Bye-Rules 2068
 - Budget Manual 2060
 - Agricultural Loan Policy and Manual 2069
 - 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 Manual 2064 (as updated 2069)
 - Credit Manual 2060
 - Accounting Manual 2061
 - RBBL Loan Write Off Bye-Rules 2062
 - Audit Manual 2060
 - Loan Recovery and Debt Restructuring Directives 2061
- The Branch Operation 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.

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