

**DISCLOSURE UNDER BASEL III CAPITAL ACCORD**

**FOURTH QUARTER OF FY 2077-78 (2020-21) ENDING ON ASHADH END, 2078**  
**(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	11.90
b	Additional Tier I (ATI) Capital Fund Ratio	-
c	<b>Total Core Capital Fund (Tier I) Ratio</b>	<b>11.90</b>
d	Supplimentary Capital Fund (Tier II) Ratio	2.41
e	<b>Total Capital Fund to Total Risk Weighted Exposures</b>	<b>14.31</b>

**2. LEVERAGE RATIO 7.39% (Regulatory Requirement :> =4%)**

Particulars	Amount NPR
<b>Exposure Measure</b>	<b>336,335,090,120.12</b>
1. On Balance Sheet Assets (Net of Specific Provision)	307,170,681,824.93
2. Repurchase Agreements and Securities Finance	-
3. Derivatives	-
4. Off Balance Sheet Exposure	29,621,795,422.19
Less : Regulatory Deductions from CET1 Capital (CAF 2.7 B.I.b)	457,387,127.00
<b>Capital Measure</b>	<b>24,862,284,302.00</b>
1. Common Equity Tier 1 Capital ( After Regularory Adjustment)	24,862,284,302.00
2. Additional Tier 1 Capital	-
<b>Leverage Ratio in Percentage</b>	<b>7.39</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	10,184,891,614.00	9,184,891,614.00
b	Equity Share Premium	-	-
c	Proposed Bonus Equity Shares	-	-
d	Statutory General Reserves	9,813,467,394.00	9,708,388,971.00
e	Retained Earnings	1,039,138,941.00	129,665,000.25
f	Un-audited current year cumulative profit/(loss)	3,795,477,827.00	3,270,085,710.00
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)	481,195,653.00	481,195,653.00
i	Dividend Equalisation Reserves	-	-
j	Other free Reserves	5,500,000.00	5,500,000.00
k	Less: Goodwill	-	-
l	Less: Intangible Assets	57,869,027.00	69,144,462.00
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	351,111,100.00	351,111,100.00
q	Less: Investment in equity of institutions in excess of the limits	48,407,000.00	49,108,000.00
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>24,862,284,302.00</b>	<b>22,310,363,386.25</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	SUPPLIMENTARY (TIER II) CAPITAL FUND	AMOUNT NPR	
		Current Period	Previous Period
a	Cumulative and/or Redeemable Preference Shares	-	-
b	Sub-ordinated Term Debt	2,500,000,000.00	-
c	Hybrid Capital Instruments	-	-
d	Stock Premium	-	-
e	General Loan Loss Provision	2,286,387,400.69	1,980,123,541.57
f	Exchange Equalization Reserve	100,249,604.00	106,568,373.00
g	Investment Adjustment Reserve	58,003,700.00	58,003,700.00
h	Asset Revaluation Reserve	38,591,892.00	38,591,892.00
i	Other Reserves	45,111,656.00	45,111,656.00
<b>TOTAL SUPPLIMENTARY (TIER II) CAPITAL FUND</b>		<b>5,028,344,252.69</b>	<b>2,228,399,162.57</b>

**3.1.4. Total Capital Fund:**

SN	CAPITAL FUNDS	AMOUNT NPR
a	Common Equity Tier I Capital Fund (CET I)	24,862,284,302.00
b	Additional Tier I Capital Fund (AT I)	-
c	<b>Total Core Capital Fund (Tier I)</b>	<b>24,862,284,302.00</b>
d	Supplimentary Capital Fund (Tier II)	5,028,344,252.69
e	<b>Total Capital Fund (Tier I + Tier II)</b>	<b>29,890,628,554.69</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:**

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. 29,890,628,554.69**

**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	182,910,992,054.83	165,298,576,072.94
b	Operational Risk	14,839,089,841.66	14,839,089,841.66
c	Market Risk	351,609,890.53	287,518,079.08
<b><u>Adjustment under Pillar II</u></b>			
	Add : 4 % of the total Risk Weighted Exposures for unsatisfactory overall risk management policies and procedures (6.4a 9)	7,924,067,671.48	7,217,007,359.75
	Add : .....% oTotal Deposit RWE due to insufficient Liquid Assets (6.4a 6)	-	-
	Add : 3% of Gross total Income of Previous Financial Year for Inadequate Operational Risk Management Process(6.4a 7)	2,917,415,300.20	2,917,415,300.20
	<b>Total Risk Weighted Exposures (After Banks adjustment of Pillar II)</b>	<b>208,943,174,758.69</b>	<b>190,559,606,653.63</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	2,565,480,933.22	3,771,597,408.23
4	Claims on corporate and securities firm	79,739,471,427.26	63,954,493,859.39
5	Claims on regulatory retail portfolio	49,017,905,073.15	51,152,289,884.92
6	Claims secured by residential properties	9,289,368,012.69	9,175,615,136.59
7	Claims secured by commercial real state	2,321,911,156.87	1,743,611,282.91
8	Past due claims	2,832,626,429.91	2,640,240,886.44
9	High risk claims	4,641,531,928.25	4,258,910,780.78
10	Other assets	17,294,469,171.35	14,785,193,850.76
11	Off Balance sheet items	15,208,227,922.13	13,816,622,982.93
	<b>Total</b>	<b>182,910,992,054.83</b>	<b>165,298,576,072.94</b>

## 6. Credit Risk Exposure Calculation Table

ASSETS	2078 Ashadh 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	5,891,574,335	-	-	5,891,574,335	0%	-
Balance with Nepal Rastra Bank (NRB)	20,128,499,606	-	-	20,128,499,606	0%	-
Gold	-	-	-	-	0%	-
Investments in Government of Nepal Bonds	62,989,622,434	-	-	62,989,622,434	0%	-
All Claims on Government of Nepal	3,454,425,455	-	-	3,454,425,455	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 )	904,785,855	78,289,375	-	826,496,480	100%	826,496,480
Claims on Public Sector Entities ( ECA rating 7 )	-	-	-	-	150%	-
Claims on Domestic Banks that fulfill Capital Adequacy Requirement	9,274,148,828	-	-	9,274,148,828	20%	1,854,829,766
Claims on Domestic Banks that do not fulfill Capital Adequacy Requirement	-	-	-	-	100%	-
Claims on Foreign Banks ( ECA rating 0-1 )	322,184,574	-	-	322,184,574	20%	64,436,915
Claims on Foreign Banks ( ECA rating 2 )	15,969,951	-	-	15,969,951	50%	7,984,976
Claims on Foreign Banks ( ECA rating 3- 6 )	638,229,277	-	-	638,229,277	100%	638,229,277
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	78,912,974,948	-	-	78,912,974,948	100%	78,912,974,948
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 )	82,682,146,276	-	17,324,939,512	65,357,206,764	75%	49,017,905,073
Regulatory Retail Portfolio Except for Granularity	-	-	-	-	100%	-
Claims Secured by Residential Properties	15,223,801,138	-	-	15,223,801,138	60%	9,134,280,683
Claims not fully Secured by Residential Properties	-	-	-	-	150%	-
Claims Secured by Residential Properties ( Overdue)	316,353,548	161,266,218	-	155,087,330	100%	155,087,330
Claims Secured by Commercial Real Estate	2,321,911,157	-	-	2,321,911,157	100%	2,321,911,157
Past due Claim (Except for claims secured by Residential Properties)	5,704,286,844	3,815,869,224	-	1,888,417,620	150%	2,832,626,430
High Risk Claims	3,094,354,619	-	-	3,094,354,619	150%	4,641,531,928
Lending against securities	6,716,813,692	-	-	6,716,813,692	100%	6,716,813,692
Investments in Shares and Capital Instruments of company listed in Stock Exchange	1,424,920,441	5,000,000	-	1,419,920,441	100%	1,419,920,441
Investments in Shares and Capital Instruments of company not listed in Stock Exchange	577,276,060	16,588,000	-	560,688,060	150%	841,032,090
Employee Loans secured by residential properties	3,292,231,762	-	-	3,292,231,762	50%	1,646,115,881
Interest Receivable/Claims on Government securities	636,275,471	-	-	636,275,471	0%	-
Cash and Other transit items in receivable	70,522,590	2,620,960	-	67,901,630	20%	13,580,326
Other Assets	16,238,851,393	9,581,844,652	-	6,657,006,741	100%	6,657,006,741
<b>Total</b>	<b>320,832,160,254.28</b>	<b>13,661,478,429.36</b>	<b>17,324,939,512.00</b>	<b>289,845,742,312.93</b>		<b>167,702,764,132.70</b>

ASSETS	2078 Ashadh 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	5,519,492	-	-	5,519,492	0%	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-
LC Commitments with Original Maturity Upto 6 months- Domestic counterparty	2,479,717,030	-	442,008,249	2,037,708,781	20%	407,541,756
-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	8,544,267,368	-	329,198,320	8,215,069,048	50%	4,107,534,524
-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	194,832,940	-	-	194,832,940	100%	194,832,940
Financial Guarantee	341,781,501	-	-	341,781,501	100%	341,781,501
Acceptances and Endorsements	-	-	-	-	100%	-
Unpaid Portion of Partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit Commitments ( short term )	5,155,991,014	-	-	5,155,991,014	20%	1,031,198,203
Irrevocable Credit Commitments ( long term )	7,548,694,158	-	-	7,548,694,158	50%	3,774,347,079
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-
Other Contingent Liabilities	5,350,991,919	-	-	5,350,991,919	100%	5,350,991,919
Unpaid Guarantee Claims	-	-	-	-	200%	-
<b>Total</b>	<b>29,621,795,422.19</b>	<b>-</b>	<b>771,206,568.80</b>	<b>28,850,588,853.39</b>		<b>15,208,227,922.13</b>

7. <b><u>Amount of NPA:</u></b>	Gross: This Quarter	<b>NPR 6,020,640,392</b>
	Previous Quarter	<b>NPR 6,528,789,388</b>
8. <b><u>NPA Ratios:</u></b>	Gross: This Quarter	<b>3.07%</b>
	Previous Quarter	<b>3.62%</b>

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

	Classification of Loan	2078 Ashadh End	2077 Chaitra End	Changes
		Gross	Gross	
<b>A</b>	<b>Pass Loan</b>	<b>189,980,897,810</b>	<b>174,056,084,330</b>	<b>15,924,813,479.55</b>
	Good loan	185,426,192,119	167,742,971,606	17,683,220,514
	Watch List	4,554,705,690	6,313,112,724	(1,758,407,034)
<b>B</b>	<b>NPA</b>	<b>6,020,640,392</b>	<b>6,528,789,388</b>	<b>(508,148,996.05)</b>
	Restructure/Reschedule Loan	79,515,824	573,613,325	(494,097,500.96)
	Substandard loan	1,826,154,899	1,227,162,702	598,992,196.64
	Doubtful Loan	972,899,325	1,246,565,513	(273,666,188.19)
	Loss Loan	3,142,070,344	3,481,447,848	(339,377,503.54)
<b>C</b>	<b>Total</b>	<b>196,001,538,201.50</b>	<b>180,584,873,718.00</b>	<b>15,416,664,483.50</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 7,691,465,549.00

Particulars	2078 Ashadh End	2077 Chaitra End	Changes
Interest Suspense	7,691,465,549.00	8,947,054,352.00	(1,255,588,803.00)

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

Loan Loss Provision as on end of this quarter is NPR 6,611,681,368.74. It has been increased by NPR 136,629,565.75 in this quarter as compared to previous quarter.

Particulars	2078 Ashadh End	2077 Chaitra End	Changes
Total Loan Loss provision	6,611,681,368.74	6,475,051,803.00	136,629,565.75

### 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.

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