



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

**DISCLOSURE UNDER BASEL III CAPITAL ACCORD**

**THIRD QUARTER OF FY 2073-74 (2016-17) ENDING ON ASHAD END, 2074**  
**(AS PER CLAUSE 7.4 OF THE NEW CAPITAL ACCORD OF NEPAL RASTRA BANK)**

**1. CAPITAL ADEQUACY RATIO:**

**1.1. Capital fund Ratio:**

<b>SN</b>	<b>CAPITAL ADEQUACY RATIOS</b>	<b>RATIO (%)</b>
a	Common Equity Tier I (CET I) Capital Fund Ratio	10.48
b	Additional Tier I (AT I) Capital Fund Ratio	-
<b>c</b>	<b>Total Core Capital Fund (Tier I) Ratio</b>	<b>10.48</b>
d	Supplimentary Capital Fund (Tier II) Ratio	1.35
<b>e</b>	<b>Total Capital Fund to Total Risk Weighted Exposures</b>	<b>11.83</b>

**2. LEVERAGE RATIO**

**5.40% (Regulatory Requirement :> =4%)**

<b>Particulars</b>	<b>Amount in NPR</b>
<b>Exposure Measure</b>	<b>184,035,435,048.21</b>
1. On Balance Sheet Assets (Net of Specific Provision)	175,307,623,826.81
2. Repurchase Agreements and Securities Finance	-
3. Derivatives	-
4. Off Balance Sheet Exposure	8,727,811,221.40
<b>Capital Measure</b>	<b>11,013,666,961.85</b>
1. Common Equity Tier 1 Capital ( After Regularory Adjustment)	11,013,666,961.85
2. Additional Tier 1 Capital	-
<b>Leverage Ratio in Percentage</b>	<b>5.98</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 in NPR	
		2074 Ashad End	2073 Chaitra End
a	Paid up Equity Share Capital	8,588,972,300.00	8,588,972,300
b	Equity Share Premium	-	-
c	Proposed Bonus Equity Shares	-	-
d	Statutory General Reserves	5,542,265,961.41	4,925,734,142
e	Retained Earnings	(4,351,935,811.66)	(4,366,593,005)
f	Un-audited current year cumulative profit/(loss)	2,466,127,278.44	2,074,976,171
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	481,195,653
i	Dividend Equalisation Reserves	-	-
j	Other free Reserves	(1,125,504,543.81)	(1,125,504,544)
k	Less: Goodwill	-	-
l	Less: Intangible Assets	6,284,259.67	5,658,351
m	Less: Deferred Tax Assets	372,355,315.79	372,355,316
n	Less:Fictitious Assets	-	-
o	Less: Investment in equity of Licensed Financial Intitutions	-	-
p	Less: Investment in equity of institutions with Financial Interests	208,814,300.00	144,005,600
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	-	-
	<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>11,013,666,961.85</b>	<b>10,056,761,450.03</b>

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

SN	ADDITIONAL TIER I (AT) CAPITAL FUND	Amount in NPR	
		2074 Ashad End	2073 Chaitra End
a	Perpetual Non-cumulative Preference Share Capital	-	-
b	Perpetual Debt Instruments	-	-
c	Stock Premium	-	-
	<b>TOTALADDITIONAL 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 in NPR	
		2074 Ashad End	2073 Chaitra End
a	Cumulative and/or Redeemable Preference Shares	-	-
b	Sub-ordinated Term Debt	-	-
c	Hybrid Capital Instruments	-	-
d	Stock Premium	-	-
e	General Loan Loss Provision	1,313,331,025.06	1,270,686,576
f	Exchange Equalization Reserve	97,319,665.62	97,319,666
g	Investment Adjustment Reserve	4,356,279.60	4,356,280
h	Asset Revaluation Reserve	-	-
i	Other Reserves	-	-
<b>TOTAL SUPPLIMENTARY (TIER II) CAPITAL FUND</b>		<b>1,415,006,970.28</b>	<b>1,372,362,521.37</b>

**3.1.4. Total Capital Fund:**

SN	TOTAL CAPITAL FUND	Amount in NPR
		2074 Ashad End
a	Common Equity Tier I Capital Fund (CET I)	11,013,666,961.85
b	Additional Tier I Capital Fund (AT I)	-
c	<b>Total Core Capital Fund (Tier I)</b>	<b>11,013,666,961.85</b>
d	Supplimentary Capital Fund (Tier II)	1,415,006,970.28
e	<b>Total Capital Fund (Tier I + Tier II)</b>	<b>12,428,673,932.13</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. 12,428,673,932.13**

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

SN	RISK WEIGHTED EXPOSURES	AMOUNT NPR	
		2074 Ashad End	2073 Chaitra End
a	Credit Risk	89,144,179,664.66	83,585,523,453
b	Operational Risk	9,172,130,088.41	9,172,130,088
c	Market Risk	147,692,909.61	228,024,026
	<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)	3,938,560,106.51	3,719,427,103
	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)	2,663,919,236.00	2,663,919,236
	<b>Total Risk Weighted Exposures (After Banks adjustment of Pillar II)</b>	<b>105,066,482,005.19</b>	<b>99,369,023,906.33</b>

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

SN	PARTICULARS	Amount in NPR	
		2074 Ashad End	2073 Chaitra End
1	Claims on govt. and central bank	-	-
2	Claims on other official entities	-	-
3	Claims on banks	663,909,615.04	630,312,123
4	Claims on corporate and securities firm	31,840,427,348.20	31,681,015,828
5	Claims on regulatory retail portfolio	34,922,323,225.80	32,183,959,886
6	Claim secured by residential properties	4,842,106,280.55	4,226,318,108
7	Claims secured by commercial real state	1,240,245,819.41	1,429,488,842
8	Past due claims	740,211,055.02	831,168,821
9	High risk claims	7,103,290,652.03	6,819,320,470
10	Other assets	3,606,718,096.62	3,805,571,709
11	Off Balance sheet items	4,184,947,572.00	1,978,367,666
	<b>Total</b>	<b>89,144,179,664.66</b>	<b>83,585,523,452.98</b>

#### 6. Credit Risk Exposure Calculation Table:

**Capital Adequacy Report as per NRB Directives**

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

ASSETS	As on 2074 Ashadh End					
	Book Value (a)	Specific Provision (b)	Eligible CRM (c)	Net Amount in NRS. (d)= (a) - (b) - (c)	Risk Weight (e)	Risk Weighted Exposures (f) = (d)*(e)
<b>On Balance Sheet Transactions</b>						
Cash Balance	4,198,542,500	-	-	4,198,542,500	0%	-
Balance with Nepal Rastra Bank (NRB)	14,861,365,718	-	-	14,861,365,718	0%	-
Gold	-	-	-	-	0%	-
Investments in Government of Nepal Bonds	37,330,590,842	-	-	37,330,590,842	0%	-
All Claims on Government of Nepal	7,476,079,220	-	-	7,476,079,220	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 )	1,111,400,853	3,975,000	-	1,107,425,853	100%	1,107,425,853
Claims on Public Sector Entities ( ECA rating 7 )	-	-	-	-	150%	-
Claims on Domestic Banks that fulfill Capital Adequacy Requirement	1,578,739,992	-	-	1,578,739,992	20%	315,747,998
Requirement	-	-	-	-	100%	-
Claims on Foreign Banks ( ECA rating 0-1 )	289,992,383	-	-	289,992,383	20%	57,998,477
Claims on Foreign Banks ( ECA rating 2 )	16,506,681	-	-	16,506,681	50%	8,253,341
Claims on Foreign Banks ( ECA rating 3- 6 )	335,101,998	53,192,198	-	281,909,799	100%	281,909,799
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	30,747,780,669	-	14,779,174	30,733,001,495	100%	30,733,001,495
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 )	57,923,651,841	-	11,360,554,207	46,563,097,634	75%	34,922,323,226
Regulatory Retail Portfolio Except for Granularity	-	-	-	-	100%	-
Claims Secured by Residential Properties	7,953,685,653	-	-	7,953,685,653	60%	4,772,211,392
Claims not fully Secured by Residential Properties	-	-	-	-	150%	-
Claims Secured by Residential Properties ( Overdue)	69,894,889	-	-	69,894,889	100%	69,894,889
Claims Secured by Commercial Real Estate	1,240,245,819	-	-	1,240,245,819	100%	1,240,245,819
Past due Claim (Except for claims secured by Residetal Properties)	2,436,538,494	1,943,064,458	-	493,474,037	150%	740,211,055
High Risk Claims	4,735,527,101	-	-	4,735,527,101	150%	7,103,290,652
Investments in Shares and Capital Instruments of company listed in Stock Exchange	116,918,350	4,563,000	-	112,355,350	100%	112,355,350
Investments in Shares and Capital Instruments of company not listed in Stock Exchange	19,673,900	-	-	19,673,900	150%	29,510,850
Employee Loans secured by residnetial properties	2,944,452,210	-	-	2,944,452,210	60%	1,766,671,326
Interest Receivable/Claims on Government securities	80,808,749	-	-	80,808,749	0%	-
Cash and Other transit items in receivable	192,142,779	8,717,718	-	183,425,061	20%	36,685,012
Other Assets	13,062,624,383	11,401,128,824	-	1,661,495,558	100%	1,661,495,558
<b>Total</b>	<b>188,722,265,025.00</b>	<b>13,414,641,198.19</b>	<b>11,375,333,380.76</b>	<b>163,932,290,446.05</b>		<b>84,959,232,092.66</b>

**Capital Adequacy Report as per NRB Directives**

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

ASSETS	As on 2074 Ashadh End					
	Book Value	Specific Provision	Eligible CRM	Net Amount in NRS.	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	31,809,662	-	-	31,809,662	0%	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-
LC Commitments with Original Maturity Upto 6 months- Domestic counterparty	665,882,094	-	555,824,185	110,057,909	20%	22,011,582
-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	57,003,844	-	-	57,003,844	50%	28,501,922
-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	2,047,824,055	-	168,537,640	1,879,286,415	50%	939,643,208
-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	473,599,014	-	-	473,599,014	100%	473,599,014
Financial Guarantee	65,969,338	-	-	65,969,338	100%	65,969,338
Acceptances and Endorsements	-	-	-	-	100%	-
Unpaid Portion of Partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit Commitments ( short term )	1,890,643,487	-	-	1,890,643,487	20%	378,128,697
Irrevocable Credit Commitments ( long term )	2,435,971,830	-	-	2,435,971,830	50%	1,217,985,915
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-
Other Contingent Liabilities	1,059,107,896	-	-	1,059,107,896	100%	1,059,107,896
Unpaid Guarantee Claims	-	-	-	-	200%	-
<b>Total</b>	<b>8,727,811,221.40</b>	<b>-</b>	<b>724,361,825.02</b>	<b>8,003,449,396.38</b>		<b>4,184,947,572.00</b>

7. <b><u>Amount of NPA:</u></b>	Gross: This Quarter	<b>NPR 2,506,433,383.48</b>
	Previous Quarter	<b>NPR 2,737,370,056.26</b>
8. <b><u>NPA ratios:</u></b>	Gross: This Quarter	<b>2.35%</b>
	Previous Quarter	<b>2.70%</b>

9. **Movement of NPA:**

	Gross Amount NPR		Changes
	2074 Ashad End	2073 Chaitra End	
<b>NON PERFORMING LOANS</b>	<b>2,506,433,383.48</b>	<b>2,737,370,056.26</b>	<b>(230,936,672.78)</b>
Restructured Loan	271,023,484.20	274,829,397	(3,805,913)
Substandard loan	205,226,240.99	406,271,878	(201,045,637)
Doubtful Loan	393,625,748.26	197,488,385	196,137,363
Loss Loan	1,636,557,910.03	1,858,780,396	(222,222,486)

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.10,174,916,055.36

Particulars	Gross Amount NPR		Changes
	2074 Ashad End	2073 Chaitra End	
Interest Suspense	10,174,916,055.36	10,588,402,409.24	(413,486,353.88)

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

Loan Loss Provision as on end of this quarter is NPR. 3,814,194,955 It has been decreased by NPR 105,740,831.98 in this quarter as compared to III quarter.

Particulars	Gross Amount NPR		Changes
	2074 Ashad End	2073 Chaitra End	
Total Loan Loss provision	3,814,194,955.27	3,919,935,787.25	(105,740,831.98)

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 holding in banks, financial Institution 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" 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, 2005
- 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 and Debt Restructuring Directives 2061
- 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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