



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 CHAITRA END, 2073
(AS PER CLAUSE 7.4 OF THE NEW CAPITAL ACCORD OF NEPAL RASTRABANK)

1. CAPITAL ADEQUACY RATIO:

1.1. Capital fund Ratio:

SN	CAPITAL ADEQUACY RATIOS	RATIO (%)
a	Common Equity Tier I (CET I) Capital Fund Ratio	10.12
b	Additional Tier I (AT I) Capital Fund Ratio	-
c	Total Core Capital Fund (Tier I) Ratio	10.12
d	Supplementary Capital Fund (Tier II) Ratio	1.35
e	Total Capital Fund to Total Risk Weighted Exposures	11.47

2. LEVERAGE RATIO

5.40% (Regulatory Requirement :> =4%)

Particulars	Amount Rs.
Exposure Measure	162,118,123,296.28
1. On Balance Sheet Assets (Net of Specific Provision)	156,136,914,682.11
2. Repurchase Agreements and Securities Finance	-
3. Derivatives	-
4. Off Balance Sheet Exposure	5,981,208,614.17
Capital Measure	10,056,761,450.03
1. Common Equity Tier 1 Capital (After Regularory Adjustment)	10,056,761,450.03
2. Additional Tier 1 Capital	-
Leverage Ratio in Percentage	6.20

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:

S N	COMMON EQUITY TIER I (CET I) CAPITAL FUND	2073 Chaitra End	2073 Poush 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	4,925,734,141.80	4,925,734,142
e	Retained Earnings	(4,366,593,004.79)	(4,365,885,895)
f	Un-audited current year cumulative profit/(loss)	2,074,976,170.64	1,217,732,523
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 Equalization Reserves	-	-
j	Other free Reserves	(1,125,504,543.81)	(1,125,504,544)
k	Less: Goodwill	-	-
l	Less: Intangible Assets	5,658,350.95	5,433,351
m	Less: Deferred Tax Assets	372,355,315.79	372,355,316
n	Less:Fictitious Assets	-	-
o	Less: Investment in equity of Licensed Financial Institutions	-	-
p	Less: Investment in equity of institutions with Financial Interests	144,005,600.00	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	-	-
	Adjustment under Pillar II		
	Less: Shortfall in Provision (6.4a 1)	-	-
	Less: Loans and Facilities extended to Related Parties and Restricted Lending (6.4a 2)	-	100,000
	TOTAL COMMON EQUITY TIER I (CET I) CAPITAL FUND	10,056,761,450.03	9,200,349,912.39

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

SN	ADDITIONAL TIER I (AT) CAPITAL FUND	2073 Chaitra End	2073 Poush End
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	2073 Chaitra End	2073 Poush 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	1,242,112,798.83	1,193,511,658
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	-	-
TOTAL SUPPLEMENTARY (TIER II) CAPITAL FUND		1,343,788,744.05	1,295,187,602.97

3.1.4. Total Capital Fund:

SN	CAPITAL FUNDS	2073 Chaitra End
a	Common Equity Tier I Capital Fund (CET I)	10,056,761,450.03
b	Additional Tier I Capital Fund (AT I)	-
c	Total Core Capital Fund (Tier I)	10,056,761,450.03
d	Supplementary Capital Fund (Tier II)	1,343,788,744.05
e	Total Capital Fund (Tier I + Tier II)	11,400,550,194.08

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. 11,400,550,194.08

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

SN	RISK WEIGHTED EXPOSURES	2073 Chaitra End	2073 Poush End
a	Credit Risk	83,585,523,452.98	79,828,251,120
b	Operational Risk	9,172,130,088.41	9,172,130,087
c	Market Risk	228,024,026.24	246,747,048
	<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)	3,719,427,102.70	3,569,885,130
	Add :% Total 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	2,663,919,235
	Total Risk Weighted Exposures (After Banks adjustment of Pillar II)	99,369,023,906.33	95,480,932,620.13

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

SN	PARTICULARS	2073 Chaitra End	2073 Poush End
1	Claims on govt. and central bank	-	-
2	Claims on other official entities	-	-
3	Claims on banks	630,312,122.98	1,119,657,386
4	Claims on corporate and securities firm	31,681,015,828.14	29,037,700,921
5	Claims on regulatory retail portfolio	32,183,959,886.03	32,572,107,110
6	Claim secured by residential properties	4,226,318,108.21	3,804,162,934
7	Claims secured by commercial real state	1,429,488,841.75	1,144,711,880
8	Past due claims	831,168,821.49	869,883,546
9	High risk claims	6,819,320,469.66	3,309,331,102
10	Other assets	3,805,571,708.79	3,907,531,346
11	Off Balance sheet items	1,978,367,665.92	4,063,164,895
	Total	83,585,523,452.98	79,828,251,120.06

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

Capital Adequacy Report as per NRB Directives

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

ASSETS	2073 Ashadh					
	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	3,065,982,182	-	-	3,065,982,182	0%	-
Balance with Nepal Rastra Bank (NRB)	12,391,160,604	-	-	12,391,160,604	0%	-
Gold	-	-	-	-	0%	-
Investments in Government of Nepal Bonds	29,635,475,086	-	-	29,635,475,086	0%	-
All Claims on Government of Nepal	3,688,156,310	-	-	3,688,156,310	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)	1,139,330,967	4,975,000	-	1,134,355,967	100%	1,134,355,967
Claims on Public Sector Entities (ECA rating 7)	-	-	-	-	150%	-
Claims on Domestic Banks that fulfill Capital Adequacy Requirement	1,471,148,805	-	-	1,471,148,805	20%	294,229,761
Claims on Domestic Banks that do not fulfill Capital Adequacy Requirement	-	-	-	-	100%	-
Claims on Foreign Banks (ECA rating 0-1)	998,924,075	-	-	998,924,075	20%	199,784,815
Claims on Foreign Banks (ECA rating 2)	16,512,640	-	-	16,512,640	50%	8,256,320
Claims on Foreign Banks (ECA rating 3- 6)	181,233,425	53,192,198	-	128,041,227	100%	128,041,227
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	30,555,444,181	-	8,784,320	30,546,659,861	100%	30,546,659,861
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)	53,808,335,234	-	10,896,388,720	42,911,946,515	75%	32,183,959,886
Regulatory Retail Portfolio Except for Granularity	-	-	-	-	100%	-
Claims Secured by Residential Properties	6,936,689,392	-	-	6,936,689,392	60%	4,162,013,635
Claims not fully Secured by Residential Properties	-	-	-	-	150%	-
Claims Secured by Residential Properties (Overdue)	64,304,473	-	-	64,304,473	100%	64,304,473
Claims Secured by Commercial Real Estate	1,429,488,842	-	-	1,429,488,842	100%	1,429,488,842
Past due Claim (Except for claims secured by Residetal Properties)	2,673,065,583	2,118,953,035	-	554,112,548	150%	831,168,821
High Risk Claims	4,546,213,646	-	-	4,546,213,646	150%	6,819,320,470
Investments in Shares and Capital Instruments of company listed in Stock Exchange	58,422,480	-	-	58,422,480	100%	58,422,480
Investments in Shares and Capital Instruments of company not listed in Stock Exchange	19,673,900	588,000	-	19,085,900	150%	28,628,850
Employee Loans secured by residnetial properties	3,027,966,980	-	-	3,027,966,980	60%	1,816,780,188
Interest Receivable/Claims on Government securities	187,320,418	-	-	187,320,418	0%	-
Cash and Other transit items in receivable	656,259,595	8,717,718	-	647,541,877	20%	129,508,375
Other Assets	13,506,935,519	11,734,703,703	-	1,772,231,815	100%	1,772,231,815
Total	170,058,044,336.67	13,921,129,654.56	10,905,173,039.58	145,231,741,642.53		81,607,155,787.05

Capital Adequacy Report as per NRB Directives

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

ASSETS	2073 Ashadh					
	Book Value	Specific Provision	Eligible CRM	Net Amount	Risk Weight	Risk Weighted Exposures
	(a)	(b)	(c)	(d)= (a) - (b) - (c)	(e)	(f) = (d)*(e)
Off Balance Sheet Transactions						
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	-	-	-	-	0%	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-
LC Commitments with Original Maturity Upto 6 months- Domestic counterparty	1,032,805,079	-	68,072,649	964,732,430	20%	192,946,486
-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	(24,427,142)	-	-	-	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	-	-	129,478,054	-	50%	-
-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	-	-	-	-	100%	-
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsements	-	-	-	-	100%	-
Unpaid Portion of Partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit Commitments (short term)	2,336,647,196	-	-	2,336,647,196	20%	467,329,439
Irrevocable Credit Commitments (long term)	2,636,183,482	-	-	2,636,183,482	50%	1,318,091,741
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-
Other Contingent Liabilities	-	-	-	-	100%	-
Unpaid Guarantee Claims	-	-	-	-	200%	-
Total	5,981,208,614.17	-	197,550,702.72	5,937,563,107.32		1,978,367,665.92

7. **Amount of NPA:** **Gross:** This Quarter **NPR 2,737,370,056.26**
 Previous Quarter **NPR 2,585,732,135**

8. **NPA ratios:** **Gross:** This Quarter 2.70%
 Previous Quarter 2.75%

9. **Movement of NPA:AMOUNT (NPR)**

NON PERFORMING LOANS	2073 Chaitra End	2072 Poush End	Changes
	Gross	Gross	
	2,737,370,056.26	2,585,732,135	
Restructured Loan	274,829,397.20	277,656,416	(2,827,018)
Substandard loan	406,271,877.89	201,192,327	205,079,551
Doubtful Loan	197,488,385.47	267,860,018	(70,371,633)
Loss Loan	1,858,780,395.70	1,839,023,374	19,757,021

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

10.1. Bank has not written of any loan during thisquarter.

10.2. Balance of Interest suspense account as on this quarter end is NPR.10,11,11,30,060.65

Particulars	2073 Chaitra End	2073 Poush End	Changes
Interest Suspense	10,588,402,409.24	10,111,130,060.65	477,272,348.59

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

Loan Loss Provision as on end of this quarter is NPR. 3,919,935,787.25 It has been increased by NPR 122,073,595.11 in this quarter as compared to IIquarter.

Particulars	2073 Chaitra End	2073 Poush End	Changes
Total Loan Loss Provision	3,919,935,787.25	3,797,862,192	122,073,595.11

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
 - 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.

*** THE END***