

SN	COMMON EQUITY TIER I (CET I) CAPITAL FUND	AMOUNT NPR	
		Current Period	Previous Period
a	Paid up Equity Share Capital	9,184,891,614.00	9,004,795,700.00
b	Equity Share Premium	-	-
c	Proposed Bonus Equity Shares	-	-
d	Statutory General Reserves	9,708,388,971.00	9,069,415,340.60
e	Retained Earnings	129,665,000.25	1,110,854,497.24
f	Un-audited current year cumulative profit/(loss)	3,270,085,710.00	1,748,708,651.28
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	481,195,652.93
i	Dividend Equalisation Reserves	-	-
j	Other free Reserves	5,500,000.00	5,500,000.00
k	Less: Goodwill	-	-
l	Less: Intangible Assets	69,144,462.00	64,190,870.24
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	242,858,000.00
q	Less: Investment in equity of institutions in excess of the limits	49,108,000.00	167,542,727.79
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)	-	-
	TOTAL COMMON EQUITY TIER I (CET I) CAPITAL FUND	22,310,363,386.25	20,945,878,244.02

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	-	-
	TOTAL ADDITIONAL TIER I (AT I) CAPITAL FUND	-	-

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	-	-
c	Hybrid Capital Instruments	-	-
d	Stock Premium	-	-
e	General Loan Loss Provision	1,980,123,541.57	1,958,351,530.36
f	Exchange Equalization Reserve	106,568,373.00	99,087,110.89
g	Investment Adjustment Reserve	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
TOTAL SUPPLIMENTARY (TIER II) CAPITAL FUND		2,228,399,162.57	2,141,142,189.25

3.1.4. Total Capital Fund:

SN	CAPITAL FUNDS	AMOUNT NPR
a	Common Equity Tier I Capital Fund (CET I)	22,310,363,386.25
b	Additional Tier I Capital Fund (AT I)	-
c	Total Core Capital Fund (Tier I)	22,310,363,386.25
d	Supplimentary Capital Fund (Tier II)	2,228,399,162.57
e	Total Capital Fund (Tier I + Tier II)	24,538,762,548.82

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. 24,538,762,548.82**

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	165,298,576,072.94	156,668,122,428.88
b	Operational Risk	14,839,089,841.66	14,839,089,841.66
c	Market Risk	287,518,079.08	418,703,627.42
	<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)	7,217,007,359.75	6,877,036,635.92
	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
	Total Risk Weighted Exposures (After Banks adjustment of Pillar II)	190,559,606,653.63	181,720,367,834.08

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	3,771,597,408.23	3,461,667,174.74
4	Claims on corporate and securities firm	63,954,493,859.39	63,044,467,776.92
5	Claims on regulatory retail portfolio	51,152,289,884.92	46,580,917,735.03
6	Claims secured by residential properties	9,175,615,136.59	8,240,146,638.57
7	Claims secured by commercial real state	1,743,611,282.91	2,342,330,261.13
8	Past due claims	2,640,240,886.44	2,310,724,197.16
9	High risk claims	4,258,910,780.78	4,262,632,511.67
10	Other assets	14,785,193,850.76	13,128,251,843.59
11	Off Balance sheet items	13,816,622,982.93	13,296,984,290.07
	Total	165,298,576,072.94	156,668,122,428.88

6. Credit Risk Exposure Calculation Table

ASSETS	2077 Chaitra 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	5,949,198,518	-	-	5,949,198,518	0%	-
Balance with Nepal Rastra Bank (NRB)	13,435,460,691	-	-	13,435,460,691	0%	-
Gold	-	-	-	-	0%	-
Investments in Government of Nepal Bonds	64,776,073,475	-	-	64,776,073,475	0%	-
All Claims on Government of Nepal	3,134,660,098	-	-	3,134,660,098	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)	1,395,634,575	78,289,375	-	1,317,345,200	100%	1,317,345,200
Claims on Public Sector Entities (ECA rating 7)	-	-	-	-	150%	-
Claims on Domestic Banks that fulfill Capital Adequacy Requirement	7,856,289,565	-	-	7,856,289,565	20%	1,571,257,913
Claims on Domestic Banks that do not fulfill Capital Adequacy Requirement	-	-	-	-	100%	-
Claims on Foreign Banks (ECA rating 0-1)	1,861,039,652	-	-	1,861,039,652	20%	372,207,930
Claims on Foreign Banks (ECA rating 2)	15,078,047	-	-	15,078,047	50%	7,539,024
Claims on Foreign Banks (ECA rating 3- 6)	1,820,592,541	-	-	1,820,592,541	100%	1,820,592,541
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	62,637,148,659	-	-	62,637,148,659	100%	62,637,148,659
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)	85,648,769,773	-	17,445,716,593	68,203,053,180	75%	51,152,289,885
Regulatory Retail Portfolio Except for Granularity	-	-	-	-	100%	-
Claims Secured by Residential Properties	14,836,524,335	-	-	14,836,524,335	60%	8,901,914,601
Claims not fully Secured by Residential Properties	-	-	-	-	150%	-
Claims Secured by Residential Properties (Overdue)	582,511,866	308,811,330	-	273,700,536	100%	273,700,536
Claims Secured by Commercial Real Estate	1,743,611,283	-	-	1,743,611,283	100%	1,743,611,283
Past due Claim (Except for claims secured by Residential Properties)	5,946,277,522	4,186,116,931	-	1,760,160,591	150%	2,640,240,886
High Risk Claims	2,839,273,854	-	-	2,839,273,854	150%	4,258,910,781
Lending against securities	4,831,011,726	-	-	4,831,011,726	100%	4,831,011,726
Investments in Shares and Capital Instruments of company listed in Stock Exchange	1,176,035,382	5,000,000	-	1,171,035,382	100%	1,171,035,382
Investments in Shares and Capital Instruments of company not listed in Stock Exchange	98,530,040	16,588,000	-	81,942,040	150%	122,913,060
Employee Loans secured by residential properties	3,294,333,563	-	-	3,294,333,563	50%	1,647,166,781
Interest Receivable/Claims on Government securities	805,988,964	-	-	805,988,964	0%	-
Cash and Other transit items in receivable	316,056,396	2,620,960	-	313,435,436	20%	62,687,087
Other Assets	17,700,420,741	10,750,040,927	-	6,950,379,814	100%	6,950,379,814
Total	302,700,521,265.96	15,347,467,523.43	17,445,716,593.00	269,907,337,149.53		151,481,953,090.00

ASSETS	2077 Chaitra 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	6,168,727	-	-	6,168,727	0%	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-
LC Commitments with Original Maturity Upto 6 months- Domestic counterparty	2,625,176,350	-	443,818,497	2,181,357,853	20%	436,271,571
-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	5,653,980,958	-	282,055,947	5,371,925,011	50%	2,685,962,505
-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	197,753,205	-	-	197,753,205	100%	197,753,205
Financial Guarantee	340,098,501	-	-	340,098,501	100%	340,098,501
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%	-
Total	26,878,854,832.19	-	725,874,444.00	26,152,980,388.19		13,816,622,982.93

7. <u>Amount of NPA:</u>	Gross: This Quarter	NPR 6,528,789,388
	Previous Quarter	NPR 7,223,041,980
8. <u>NPA Ratios:</u>	Gross: This Quarter	3.62%
	Previous Quarter	4.23%

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

	Classification of Loan	2077 Chaitra End	2077 Poush End	Changes
		Gross	Gross	
A	Pass Loan	174,056,084,330	163,364,220,653	10,691,863,676.62
	Good loan	167,742,971,606	153,883,553,904	13,859,417,702
	Watch List	6,313,112,724	9,480,666,750	(3,167,554,025)
B	NPA	6,528,789,388	7,223,041,980	(694,252,591.95)
	Restructure/Reschedule Loan	573,613,325	-	573,613,324.61
	Substandard loan	1,227,162,702	822,219,685	404,943,017.57
	Doubtful Loan	1,246,565,513	2,340,918,052	(1,094,352,539.21)
	Loss Loan	3,481,447,848	4,059,904,243	(578,456,394.92)
C	Total	180,584,873,718.00	170,587,262,633.34	9,997,611,084.66

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 8,947,054,352.00

Particulars	2077 Chaitra End	2077 Poush End	Changes
Interest Suspense	8,947,054,352.00	10,187,135,489.54	(1,240,081,137.54)

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

Loan Loss Provision as on end of this quarter is NPR 6,475,051,803. It has been decreased by NPR 1,052,544,997 in this quarter as compared to previous quarter.

Particulars	2077 Chaitra End	2077 Poush End	Changes
Total Loan Loss provision	6,475,051,803.00	7,527,596,800.39	(1,052,544,997.40)

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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