

DISCLOSURE UNDER BASEL III CAPITAL ACCORD

FIRST QUARTER OF FY 2079-80 (2022-23) ENDING ON ASHWIN END, 2079
(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	11.88
b.	Additional Tier I (AT I) Capital Fund Ratio	0
c.	Total Core Capital Fund (Tier I) Ratio	11.88
d.	Supplimentary Capital Fund (Tier II)	2.18
	Total Capital Fund to Total Risk Weighted Exposures	14.06

2. LEVERAGE RATIO

8.30% (Regulatory Requirement :-> =4%)

Particulars	Amount NPR
1. On Balance Sheet Assets (Net of Specific Provision)	333,063,414,889
2. Repurchase Agreements and Securities Finance	-
3. Derivatives	-
4. Off Balance Sheet Exposure	28,330,374,561
Less : Regulatory Deductions from CET1 Capital (CAF 2.7 B.I.b)	451,926,511
Capital Measure	29,963,050,406
1. Common Equity Tier I Capital (After Regularory Adjustment)	29,963,050,406
2. Additional Tier I Capital	-
Leverage Ratio in Percentage	8.30

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 (Unaudited)
a	Paid up Equity Share Capital	14,940,359,099	14,940,359,099
b	Equity Share Premium	-	-
c	Proposed Bonus Equity Shares	-	-
d	Statutory General Reserves	11,032,108,347	10,782,772,704
e	Retained Earnings	1,927,885,608	(2,144,928,310)
f	Un-audited current year cumulative profit/(loss)	1,246,678,210	5,214,247,562
g	Debenture Redemption Reserves	781,250,000	625,000,000
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	481,195,653
i	Capital Redemption Reserve	-	-
j	Dividend Equalisation Reserves	-	-
k	Bargain Purchase Gain	-	-
l	Other free Reserves	5,500,000	5,500,000
m	Less: Goodwill	-	-
n	Less: Intangible Assets	52,408,411	52,408,411
o	Less: Fictitious Assets	-	-
p	Less: Investment in equity of Licensed Financial Institutions	-	-
q	Less: Investment in equity of institutions with Financial Interests	351,111,100	351,111,100
r	Less: Investment in equity of institutions in excess of the limits	48,407,000	48,407,000
s	Less: Investments arising out of Underwriting Commitments	-	-
t	Less: Reciprocal crossholdings	-	-
u	Less: Purchase of Land and Buildings in excess of limit and unutilized	-	-
v	Less: Cash Flow Hedge	-	-
w	Less: Defined Benefit Pension Assets	-	-
x	Less: Unrecognized Defined Benefit Pension Liabilities	-	-
y	Less: Negative Balance of reserve accounts	-	-
z	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)	-	-
	Common Equity Tier I (CET I) CAPITAL FUND	29,963,050,406	29,452,220,197

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

SN	ADDITIONAL TIER I (AT) 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	SUPPLEMENTARY (TIER II) CAPITAL FUND	AMOUNT NPR	
		Current Period	Previous Period (Unaudited)
a	Cumulative and/or Redeemable Preference Share	-	-
b	Subordinated Term Debt	2,000,000,000	2,500,000,000
c	Hybrid Capital Instruments	-	-
d	Stock Premium	-	-
e	General LLP (only 1.25% of RWE =Rs 2806.67 million is eligible for Tier	3,279,619,287	3,204,804,579
f	Exchange Equalization Reserve	106,648,158	102,331,730
g	Investment Adjustment Reserve	15,845,700	15,845,700
h	Assets Revaluation Reserve	38,591,892	38,591,892
i	Other Reserves	45,111,656	45,111,656
	TOTAL SUPPLEMENTARY (TIER II) CAPITAL FUND\	5,485,816,693	5,906,685,557

3.1.4. Total Capital Fund:

SN	Capital Funds	Amount NPR
a.	Common Equity Tier I Capital Fund (CET I)	29,963,050,406
b.	Additional Tier I Capital Fund (AT I)	-
c.	Total Core Capital Fund (Tier I)	-
d.	Supplementary Capital Fund (Tier II)	5,485,816,693
	Total Capital Fund (Tier I+ Tier II)	35,448,867,099

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. 35,448,867,099

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

SN	RISK WEIGHTED EXPOSURE	AMOUNT NPR	
		Current Period	Previous Period (Unaudited)
a	Risk Weighted Exposure for Credit Risk	224,533,846,780	225,589,257,526
b	Risk Weighted Exposure for Operational Risk	14,418,626,455	14,648,411,495
c	Risk Weighted Exposure for Market Risk	546,307,356	630,514,022
	Adjustments under Pillar II		
	Add: ...% Total Deposit RWE due to insufficient Liquid Asset (6.4a (6))		
	Add: 3% of Gross Total Income of Previous Financial Year for Inadequate Operational Risk Management Process (6.4a (7))	3,053,785,500	2,680,013,630
	Add: 4% of the Total Risk Weighted Exposure for unsatisfactory overall risk management policies and procedures (6.4a (9))	9,579,951,224	9,634,727,322
	Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	252,132,517,314	253,182,923,994

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

SN	PARTICULARS	AMOUNT NPR	
		Current Period	Previous Period (Unaudited)
1	Claims on govt. and central bank	-	-
2	Claims on other official entities	-	-
3	Claims on bank	1,405,777,194	1,285,425,217
4	Claims on corporate and securities firm	93,716,949,272	95,075,077,191
5	Claims on regulatory retail portfolio	51,872,866,306	51,097,044,029
6	Claims secured by residential properties	11,199,329,813	10,808,590,016
7	Claims secured by commercial real estate	2,760,999,692	3,145,789,866
8	Past due Claims	3,075,391,361	1,821,717,381
9	High Risk Claims	27,568,183,274	29,209,758,819
10	Other Assets	17,318,483,679	14,260,257,597
11	Off Balance Sheet Items	15,615,866,190	18,885,597,410
	Total	224,533,846,780	225,589,257,526

6. Credit Risk Exposure Calculation Table

A. Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=d*e
Cash Balance	5,546,147,576	-	-	5,546,147,576	0%	-
Balance With Nepal Rastra Bank	11,606,430,755	-	-	11,606,430,755	0%	-
Gold	-	-	-	-	0%	-
Investment in Nepalese Government Securities	49,768,586,250	-	-	49,768,586,250	0%	-
All Claims on Government of Nepal	18,961,618,970	-	-	18,961,618,970	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	20%	-
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	100%	-
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	150%	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-
Claims on Domestic Public Sector Entities	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)	278,088,371	78,289,375	-	199,798,996	100%	199,798,996
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	2,980,146,090	-	-	2,980,146,090	20%	596,029,218
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	420,339,140	-	-	420,339,140	20%	84,067,828
Claims on foreign bank (ECA Rating 2)	26,767,865	-	-	26,767,865	50%	13,383,933
Claims on foreign bank (ECA Rating 3-6)	712,296,216	-	-	712,296,216	100%	712,296,216
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above	-	-	-	-	20%	-
Claims on Domestic Corporates (Credit rating score equivalent to AAA)	-	-	-	-	50%	-
Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-)	-	-	-	-	70%	-
Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-)	-	-	-	-	80%	-
Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below)	-	-	-	-	100%	-
Claims on Domestic Corporates (Unrated)	93,517,150,276	-	-	93,517,150,276	100%	93,517,150,276
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	87,826,393,264	-	18,662,571,523	69,163,821,741	75%	51,872,866,306
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	18,537,571,454	-	-	18,537,571,454	60%	11,122,542,872
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	117,835,593	41,048,652	-	76,786,941	100%	76,786,941
Claims secured by Commercial real estate	2,760,999,692	-	-	2,760,999,692	100%	2,760,999,692
Past due claims (except for claims secured by residential properties)	5,534,052,478	3,483,791,571	-	2,050,260,907	150%	3,075,391,361
High Risk claims	18,378,788,849	-	-	18,378,788,849	150%	27,568,183,274
Lending against securities (bonds)	-	-	-	-	100%	-
Lending against Shares (upto Rs.2.5 Million)	120,417,920	-	-	120,417,920	100%	120,417,920
Trust Receipt Loans for Trading Firms	818,287,157	-	-	818,287,157	120%	981,944,589
Investments in equity and other capital instruments of institutions listed in stock exchange	1,557,939,305	61,980,606	-	1,495,958,699	100%	1,495,958,699
Investments in equity and other capital instruments of institutions not listed in the stock exchange	602,276,060	16,588,000	-	585,688,060	150%	878,532,090
Staff loan secured by residential property	3,420,182,378	-	-	3,420,182,378	50%	1,710,091,189
Interest Receivable/claim on government securities	864,766,637	-	-	864,766,637	0%	-
Cash in transit and other cash items in the process of collection	323,235,468	2,620,960	-	320,614,508	20%	64,122,902
Other Assets (as per attachment)	21,864,875,467	9,797,459,177	-	12,067,416,290	100%	12,067,416,290
TOTAL (A)	346,545,193,230	13,481,778,340	18,662,571,523	314,400,843,366		208,917,980,590

Capital Adequacy Report as per NRB Directives

First Quarter of F/Y 2079-80(2022-23)

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	5,187,056	-	-	5,187,056	0%	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty	3,386,538,525	-	616,025,939	2,770,512,586	20%	554,102,517
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-
LC Commitments With Original Maturity Over 6 months domestic counterparty	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	7,391,116,110	-	320,911,884	7,070,204,226	40%	2,828,081,690
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-
Underwriting commitments	-	-	-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-
Advance Payment Guarantee	527,805,354	-	-	527,805,354	100%	527,805,354
Financial Guarantee	1,038,633,822	-	-	1,038,633,822	100%	1,038,633,822
Acceptances and Endorsements	-	-	-	-	100%	-
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (short term)	-	-	-	-	20%	-
Irrevocable Credit commitments (long term)	10,627,701,775	-	-	10,627,701,775	50%	5,313,850,887
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above t	-	-	-	-	20%	-
Other Contingent Liabilities	5,353,391,919	-	-	5,353,391,919	100%	5,353,391,919
Unpaid Guarantee Claims	-	-	-	-	200%	-
TOTAL (B)	28,330,374,561	-	936,937,823	27,393,436,738		15,615,866,190
Total RWE for credit Risk Before Adjustment (A) +(B)	374,875,567,791	13,481,778,340	19,599,509,346	341,794,280,104		224,533,846,780

7. **Amount of NPA:** Gross: This Quarter **NPR 5,651,888,070**
Previous Quarter **NPR 4,598,221,655**

8. **NPA Ratios:** Gross: This Quarter **2.48%**
Previous Quarter **2.00%**

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

	Classification of Loan	2079 Ashwin End	2079 Ashadh End	Changes
		Gross	Gross	
A	Pass Loan	222,361,807,108	224,929,132,825	(2,567,325,717)
	Good Loan	211,330,867,199	216,816,204,975	(5,485,337,776)
	Watch List	11,030,939,909	8,112,927,850	2,918,012,059
B	NPA	5,651,888,070	4,598,221,656	1,053,666,414
	Restructure/ Reschedule Loan	707,659,725	708,098,872	(439,147)
	Substandard Loan	1,753,093,622	659,742,105	1,093,351,517
	Doubtful Loan	553,528,153	539,588,886	13,939,267
	Loan Loss	2,637,606,571	2,690,791,793	(53,185,222)
C	Total	228,013,695,178	229,527,354,481	(1,513,659,303)

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 7,595,078,930.

Particulars	2079 Ashwin End	2079 Ashadh End	Changes
Interest Suspense	7,595,078,930	6,588,506,040	1,006,572,890

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

Loan Loss Provision as on end of this quarter is NPR 6,804,459,509. It has been increased by NPR 321,262,254 in this quarter as compared to previous quarter.

Particulars	2079 Ashwin End	2079 Ashadh End	Changes
Total Loan Loss Provision	6,804,459,509	6,483,197,255	321,262,254

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 2077)
- Investment and Treasury Operations Manual, 2014
- Credit Manual 2077
- Collateral Security Valuation Directives 2064
- Accounting Manual 2061
- Financial Administration Bye-Rules 2068
- RBBL Loan Write Off Bye Laws 2075
- 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-2021
- 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 three 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*****