



RASTRIYA BANIJYA BANK LTD.
SINGHADURBAR PLAZA, KATHMANDU, NEPAL

DISCLOSURE UNDER BASEL III CAPITAL ACCORD

THIRD QUARTER OF FY 2080-81 (2023-24) ENDING ON CHAITRA END, 2080

(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	10.41
b	Additional Tier I (AT I) Capital Fund Ratio	-
c	Total Core Capital Fund (Tier I) Ratio	10.41
d	Supplimentary Capital Fund (Tier II) Ratio	1.91
e	Total Capital Fund to Total Risk Weighted Exposures	12.32

2. LEVERAGE RATIO **6.30%** (Regulatory Requirement \Rightarrow =4%)

Particulars	Amount NPR
Exposure Measure	456,591,054,579
1. On Balance Sheet Assets (Net of Specific Provision)	415,422,990,788
2. Repurchase Agreements and Securities Finance	-
3. Derivatives	-
4. Off Balance Sheet Exposure	41,168,063,791
Less : Regulatory Deductions from CET1 Capital (CAF 2.7 B.I.b)	1,211,143,008
Capital Measure	28,670,387,165
1. Common Equity Tier 1 Capital (After Regularory Adjustment)	28,670,387,165
2. Additional Tier 1 Capital	-
Leverage Ratio in Percentage	6.30

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
a	Paid up Equity Share Capital	15,637,377,055	15,637,377,055
b	Equity Share Premium	-	-
c	Proposed Bonus Equity Shares	-	-
d	Statutory General Reserves	11,792,487,800	11,720,600,753
e	Retained Earnings	246,219,667	406,282,988
f	Un-audited current year cumulative profit/(loss)	-	-
g	Capital Redemption Reserves	1,718,750,000	1,562,500,000
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	Dividend Equalisation Reserves	-	-
j	Other free Reserves	5,500,000	5,500,000
k	Less: Goodwill	-	-
l	Less: Intangible Assets	35,091,789	40,372,806
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	1,154,788,220	1,154,788,220
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	21,263,000	21,263,000
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	28,670,387,166	28,597,032,424

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	SUPPLIMENTARY (TIER II) CAPITAL FUND	AMOUNT NPR	
		Current Period	Previous Period
a	Cumulative and/or Redeemable Preference Shares	-	-
b	Sub-ordinated Term Debt	2,000,000,000	2,000,000,000
c	Hybrid Capital Instruments	-	-
d	Stock Premium	-	-
e	General Loan Loss Provision	3,054,357,478	3,062,618,970
f	Exchange Equalization Reserve	121,061,733	121,061,733
g	Investment Adjustment Reserve	25,791,200	25,791,200
h	Other Reserves	45,111,656	45,111,656
TOTAL SUPPLIMENTARY (TIER II) CAPITAL FUND		5,246,322,066	5,254,583,557

3.1.4. Total Capital Fund:

SN	CAPITAL FUNDS	AMOUNT NPR
a	Common Equity Tier I Capital Fund (CET I)	28,670,387,165
b	Additional Tier I Capital Fund (AT I)	-
c	Total Core Capital Fund (Tier I)	28,670,387,165
d	Supplimentary Capital Fund (Tier II)	5,246,322,066
e	Total Capital Fund (Tier I + Tier II)	33,916,709,232

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 of which Rs 2 billion is eligible to be reckoned as capital fund.

3.2. Total qualifying capital fund: NPR. 33,916,709,232

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	244,348,598,271	245,030,780,583
b	Operational Risk	15,443,798,903	15,443,798,903
c	Market Risk	367,922,083	167,052,902
	Adjustment under Pillar II		
	Add : 4 % of the total Risk Weighted Exposures for unsatisfactory overall risk management policies and procedures (6.4a 9)	10,406,412,770	4,824,426,600
	Add :% of Total Deposit RWE due to insufficient Liquid Assets (6.4a 6)	-	10,425,665,295
	Add : 4% of Gross total Income of Previous Financial Year for Inadequate Operational Risk Management Process(6.4a 7)	4,824,385,319	-
	Total Risk Weighted Exposures (After Banks adjustment of Pillar II)	275,391,117,347	275,891,724,283

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	424,119,907	13,337,463
3	Claims on banks	4,082,482,311	3,793,272,197
4	Claims on corporate and securities firm	83,182,686,015	93,663,502,360
5	Claims on regulatory retail portfolio	66,671,885,707	56,174,977,468
6	Claims secured by residential properties	13,551,891,401	13,520,132,662
7	Claims secured by commercial real state	1,566,408,513	2,508,406,845
8	Past due claims	5,241,828,562	5,083,500,059
9	High risk claims	19,338,640,213	25,748,787,875
10	Other assets	33,416,779,632	29,258,065,122
11	Off Balance sheet items	16,871,876,011	15,266,798,531
	Total	244,348,598,271	245,030,780,583

6. Credit Risk Exposure Calculation Table

Particulars	2080 Chaitra end					
	Book Value	Specific Provision	Eligible CRM	Net Amount	Risk Weight	Risk Weighted Exposures
	(a)	(b)	(c)	(d)= (a) - (b) - (c)	(e)	(f) = (d)*(e)
On Balance Sheet Transactions						
Cash Balance	7,195,979,902	-	-	7,195,979,902	0%	-
Balance with Nepal Rastra Bank (NRB)	21,995,258,446	-	-	21,995,258,446	0%	-
Gold	-	-	-	-	0%	-
Investments in Nepalese Government Securities	69,002,582,846	-	-	69,002,582,846	0%	-
All Claims on Government of Nepal	2,041,683,395	-	-	2,041,683,395	0%	-
Investments in Nepal Rastra Bank Securities	-	-	-	-	0%	-
All Claims on Nepal Rastra Bank	24,105,020,781	-	-	24,105,020,781	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 on Multilateral Development Banks(MDBs) recognized by framework	-	-	-	-	0%	-
Claims on other Multilateral development bank	-	-	-	-	100%	-
Claim on Domestic Public sector Entities	439,103,182	14,983,275	-	424,119,907	100%	424,119,907
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)	-	-	-	-	100%	-
Claims on Public Sector Entities (ECA rating 7)	-	-	-	-	150%	-
Claims on Domestic Banks that meet Capital Adequacy Requirements	19,219,149,108	-	-	19,219,149,108	20%	3,843,829,822
Claims on Domestic Banks that do not meet Capital Adequacy Requirements	-	-	-	-	100%	-
Claims on Foreign Banks (ECA rating 0-1)	1,193,262,445	-	-	1,193,262,445	20%	238,652,489
Claims on Foreign Banks (ECA rating 2)	-	-	-	-	50%	-
Claims on Foreign Banks (ECA rating 3- 6)	-	-	-	-	100%	-
Claims on Foreign Banks (ECA rating 7)	-	-	-	-	150%	-
Claims on Foreign Banks established in SAARC Region with buffer capital of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-
Claims on Domestic Corporates (Credit rating score equivalent to AAA)	-	-	-	-	50%	-

Capital Adequacy Report as per NRB Directives

Third Quarter of F/Y 2080-81(2023-24)

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)	83,182,686,015	-	-	83,182,686,015	100%	83,182,686,015
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)	109,364,981,198	-	20,469,133,588	88,895,847,610	75%	66,671,885,707
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims Secured by Residential Properties	22,189,321,456	-	-	22,189,321,456	60%	13,313,592,874
Claims not fully Secured by Residential Properties	-	-	-	-	150%	-
Claims Secured by Residential Properties (Overdue)	429,905,221	191,606,694	-	238,298,527	100%	238,298,527
Claims Secured by Commercial Real Estate	1,566,408,513	-	-	1,566,408,513	100%	1,566,408,513
Past due Claim (Except for claims secured by Residential Properties)	10,762,644,989	7,178,573,698	89,518,917	3,494,552,375	150%	5,241,828,562
High Risk Claims	13,001,851,808	-	109,425,000	12,892,426,808	150%	19,338,640,213
Lending against shares (above Rs. 5 Million)	3,650,209,123	-	-	3,650,209,123	125%	4,562,761,403
Lending against securities (bonds)	-	-	-	-	100%	-
Lending against shares (upto Rs. 5 Million)	454,542,367	-	-	454,542,367	100%	454,542,367
Trust Receipt Loans for Trading Firms	490,173,416	-	-	490,173,416	120%	588,208,099
Real Estate loans for land acquisition and development (For institutions/projects registered/licensed and approved by Government of Nepal for land acquisition and development purposes)	-	-	-	-	100%	-
Personal Hire Purchase/Personal Auto Loans (upto Rs 2.5 Million)	1,165,419,722	-	-	1,165,419,722	100%	1,165,419,722
Personal Hire Purchase/Personal Auto Loans (above Rs 2.5 Million)	787,772,305	-	-	787,772,305	125%	984,715,381
Investments in equity and other capital instruments of institutions listed in Stock Exchange	1,934,473,920	-	-	1,934,473,920	100%	1,934,473,920
Investments in equity and other capital instruments of institutions not listed in Stock Exchange	589,840,185	-	-	589,840,185	150%	884,760,277
Staff Loans secured by residential properties	7,332,426,001	-	-	7,332,426,001	50%	3,666,213,001
Interest Receivable/Claims on Government securities	1,352,876,954	-	-	1,352,876,954	0%	-
Cash in transit and Other cash items in the process of collection	233,482,809	2,363,192	-	231,119,617	20%	46,223,923
Other Assets (as per attachments)	46,156,647,004	27,027,185,464	-	19,129,461,541	100%	19,129,461,541
Total	449,837,703,110	34,414,712,322	20,668,077,505	394,754,913,282		227,476,722,261

Particulars	2080 Chaitra end					
	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	4,948,596	-	-	4,948,596	0%	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-
LC Commitments with Original Maturity Upto 6 months - Domestic counterparty	2,667,654,694	-	564,544,024	2,103,110,670	20%	420,622,134
-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	211,067,978	-	-	211,067,978	50%	105,533,989
-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	10,905,277,058	-	436,223,542	10,469,053,516	40%	4,187,621,407
-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	1,145,318,255	-	-	1,145,318,255	100%	1,145,318,255
Financial Guarantee	2,100,012,037	-	-	2,100,012,037	100%	2,100,012,037
Acceptances and Endorsements	-	-	-	-	100%	-
Unpaid Portion of Partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit Commitments (short term)	19,026,271,229	-	-	19,026,271,229	20%	3,805,254,246
Irrevocable Credit Commitments (long term)	-	-	-	-	50%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-
Other Contingent Liabilities	5,107,513,943	-	-	5,107,513,943	100%	5,107,513,943
Unpaid Guarantee Claims	-	-	-	-	200%	-
Total	41,168,063,791	-	1,000,767,566	40,167,296,225		16,871,876,011

7. <u>Amount of NPA:</u>	Gross: This Quarter	NPR 11,201,017,179
	Previous Quarter	NPR 10,138,894,421
8. <u>NPA Ratios:</u>	Gross: This Quarter	4.30%
	Previous Quarter	3.95%

9. Movement of Loans and Advances:

	Classification of Loan	2080 Chaitra end	2080 Poush end	Changes
		Gross	Gross	
A	Pass Loan	249,282,878,927	246,565,876,854	2,717,002,073,211
	Good loan	230,228,474,884	224,247,651,384	5,980,823,500
	Watch List	19,054,404,043	22,318,225,470	(3,263,821,427)
B	NPA	11,201,017,179	10,138,894,421	1,062,122,758
	Restructure/Reschedule Loan	289,885,189	418,210,189	(128,325,000)
	Substandard loan	2,540,789,973	2,183,757,663	357,032,310
	Doubtful Loan	2,908,035,957	2,734,069,359	173,966,598
	Loss Loan	5,462,306,060	4,802,857,210	659,448,850
C	Total	260,483,896,106	256,704,771,275	3,779,124,831

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 8,908,187,210

Particulars	2080 Chaitra end	2080 Poush end	Changes
Interest Suspense	8,908,187,210	8,683,009,609	225,177,601

11. Movement in Loan Loss Provisions:

Loan Loss Provision as on end of this quarter is NPR 11,199,789,514. It has been increased by NPR 2,138,430,146 in this quarter as compared to previous quarter.

Particulars	2080 Chaitra end	2080 Poush end	Changes
Total Loan Loss provision	11,199,789,514	10,828,488,127	371,301,387
Net Loans	249,284,106,593	245,876,283,148	3,407,823,445
Loan Loss provision for NPA	7,370,180,392	6,003,835,140	1,366,345,252
Net NPA	3,830,836,787	4,135,059,281	(304,222,494)
Net NPA Ratio	1.54%	1.68%	-0.15%

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 2077" 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 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.

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