

SINDHU BIKASH BANK LIMITED
DISCLOSURES UNDER CAPITAL ADEQUACY FRAMEWORK OF NRB (BASEL II)
AS ON 32 ASHAD 2078 (15TH JULY 2021)

1. CAPITAL STRUCTURE AND CAPITAL ADEQUACY

I. TIER-1 CAPITAL AND BREAKDOWN OF ITS COMPONENTS:

		<i>NPR '000'</i>
a	Paid up Equity Share Capital	557,456.07
b	Irredeemable Non-cumulative preference shares	
c	Share Premium	
d	Proposed Bonus Equity Shares	
e	Statutory General Reserves	34,654.21
f	Retained Earnings	13,611.64
g	Un-audited current year cumulative profit/(loss)	23,991.11
h	Capital Redemption Reserve	
i	Capital Adjustment Reserve	18.75
j	Dividend Equalization Reserves	
k	Other Free Reserve	3,927.97
l	Less: Goodwill	
m	Less: Deferred Tax Assets	2,725.92
n	Less: Fictitious Assets	
o	Less: Investment in equity in licensed Financial Institutions	42,960.22
p	Less: Investment in equity of institutions with financial interests	
q	Less: Investment in equity of institutions in excess of limits	
r	Less: Investments arising out of underwriting commitments	
s	Less: Reciprocal crossholdings	
t	Less: Purchase of land & building in excess of limit and unutilized	
u	Less: Other Deductions	
Total Core Capital		587,973.60

II. TIER-2 CAPITAL AND A BREAKDOWN OF ITS COMPONENTS:

		<i>NPR('000)</i>
a	Cumulative and/or Redeemable Preference Share	
b	Subordinated Term Debt	
c	Hybrid Capital Instruments	
d	General loan loss provision	52,118.83
e	Exchange Equalization Reserve	
f	Investment Adjustment Reserve	
g	Asset Revaluation Reserve	
h	Other Reserves	
Total Supplementary Capital		52,118.83

III. INFORMATION ABOUT SUBORDINATE TERM DEBT

The Bank does not have any subordinated Term Debt

IV. DEDUCTION FROM CAPITAL

		<i>NPR ('000)</i>
Particulars		Amount
Deferred Tax Assets		2,725.92

V. TOTAL QUALIFYING CAPITAL
NPR('000)

Particulars	Amount
Total Core Capital(Tier I)	587,973.60
Total Supplementary Capital(Tier II)	52,118.83
Total Capital Fund(Tier I + Tier II)	640,092.43

VI. CAPITAL ADEQUACY RATIO

Particulars	Percentage
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	13.26%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	14.44%

VII. Summary of the bank's internal approach to assess the adequacy of capital to support current and future activities

The bank considers the capital adequacy requirement pursuant to the provision set by NRB. The Tier 1 capital ratio of the bank as at Ashad end 2078 is 13.26% and the total capital ratio is 14.44%. The bank in its strategic planning cautiously considers the capital adequacy and manage capital adequacy required for the organization's growth.

2. RISK EXPOSURE
i. Risk Weighted Exposure for Credit Risk, Market Risk and Operational Risk
NPR('000)

S.N	Particulars	Amount
a	Risk Weighted Exposure for Credit Risk	3,962,271.70
b	Risk Weighted Exposure for Operational Risk	342,684.75
c	Risk Weighted Exposure for Market Risk	-
Total Risk Weighted Exposures (Before adjustments of Pillar II)		4,304,956.45
Adjustments under Pillar II		
SRP 6.4a (5)	ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	-
SRP 6.4a (6)	Add.....% of the total deposit due to insufficient Liquid Assets	
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 2% of gross income	
SRP 6.4a (9)	If overall risk management policies and procedures are not satisfactory, Add 2% of RWE	86,099.13
SRP 6.4a (10)	If desired level of disclosure requirement has not been achieved, Add 1% of RWE	43,049.56
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)		4,434,105.14

ii. Risk Weighted Exposure under each 11 Categories of Credit Risk
NPR('000)

Details	NRS
Claims on Domestic Corporates (Unrated)	1,124,544.90
Regulatory Retail Portfolio (Not Overdue)	913,576.75
Claims fulfilling all criterion of regularity retail except granularity	88,117.08
Claims secured by residential properties	204,924.45
Claims secured by residential properties (Overdue)	71,817.83
Claims secured by Commercial real estate	91,225.32
Past due claims (except for claims secured by residential properties)	645,047.36

High Risk claims	237,882.16
Details	NRS (000)
Lending Against Securities (Bonds & Shares)	12,394.71
Investments in equity and other capital instruments of institutions listed in stock exchange	93,666.48
Investments in equity and other capital instruments of institutions not listed in the stock exchange	45,000.00
Staff loan secured by residential property	37,237.31
Other Assets (as per attachment)	385,337.35
Off Balance Sheet Exposures	11,500.00
Total	3,962,271.70

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	59,261.10			59,261.10	0%	-
Balance with Nepal Rastra Bank	169,377.42			169,377.42	0%	-
Gold				-	0%	-
Investment in Nepalese Government Securities				-	0%	-
All Claims on Government of Nepal				-	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)			-	-	100%	-
Claims on Public Sector Entity (ECA 7)			-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements			-	-	20%	-
Claims on domestic banks that do not meet capital adequacy requirements			-	-	100%	-

Claims on foreign bank (ECA Rating 0-1)			-	-	20%	-
Claims on foreign bank (ECA Rating 2)			-	-	50%	-
Claims on foreign bank (ECA Rating 3-6)			-	-	100%	-
Claims on foreign bank (ECA Rating 7)			-	-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement			-	-	20%	-
Claims on Domestic Corporates (Credit rating score equivalent to AAA)			-	-	80%	-
Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-)			-	-	85%	-
Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-)			-	-	90%	-
Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below)			-	-	100%	-
Claims on Domestic Corporates (Unrated)	1,124,544.90		-	1,124,544.90	100%	1,124,544.90
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)	1,323,817.71		105,715.37	1,218,102.34	75%	913,576.75
Claims fulfilling all criterion of regularity retail except granularity	88,117.08		-	88,117.08	100%	88,117.08
Claims secured by residential properties	341,540.75		-	341,540.75	60%	204,924.45
Claims not fully secured by residential properties			-	-	150%	-
Claims secured by residential properties (Overdue)	71,817.83		-	71,817.83	100%	71,817.83
Claims secured by Commercial real estate	91,225.32		-	91,225.32	100%	91,225.32
Past due claims (except for claims secured by residential properties)	430,845.61		814.04	430,031.57	150%	645,047.36
High Risk claims	158,588.11		-	158,588.11	150%	237,882.16
Lending Against Securities (Bonds & Shares)	12,394.71		-	12,394.71	100%	12,394.71
Investments in equity and other capital instruments of institutions listed in stock exchange	93,666.48		-	93,666.48	100%	93,666.48

Investments in equity and other capital instruments of institutions not listed in the stock exchange	30,000.00		-	30,000.00	150%	45,000.00
Staff loan secured by residential property	74,474.62			74,474.62	50%	37,237.31
Interest Receivable/claim on government securities				-	0%	-
Cash in transit and other cash items in the process of collection				-	20%	-
Other Assets (as per attachment)	385,337.35	-	-	385,337.35	100%	385,337.35
TOTAL (A)	4,455,008.97	-	106,529.41	4,348,479.56		3,950,771.70

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Revocable Commitments				-	0%	-
Bills Under Collection				-	0%	-
Forward Exchange Contract Liabilities			-	-	10%	-
LC Commitments With Original Maturity Up to 6 months domestic counterparty			-	-	20%	-
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			-	-	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%	-
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			-	-	100%	-
Financial Guarantee	11,500.00		-	11,500.00	100%	11,500.00
Acceptances and Endorsements			-	-	100%	-
Unpaid portion of Partly paid shares and Securities			-	-	100%	-
Irrevocable Credit commitments (short term)			-	-	20%	-
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			-	-	100%	-
Unpaid Guarantee Claims			-	-	200%	-
TOTAL (B)	11,500.00	-	-	11,500.00		11,500.00
Total RWE for credit Risk Before Adjustment (A) +(B)	4,466,508.97	-	106,529.41	4,359,979.56		3,962,271.70
<u>Adjustments under Pillar II</u>						
Answer the question SRP 6.4a (3) in SRP sheet						-
Answer the question SRP 6.4a (4) in SRP sheet						-
Total RWE for Credit Risk after Bank's adjustments under Pillar II	4,466,508.97	-	106,529.41	4,359,979.56		3,962,271.70

III. Non Performing Assets

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Details	Gross Loan Outstanding	Provision	Net Amount
Substandard	158,032.07	39,508.02	118,524.05
Doubtful	17,133.50	8,566.75	8,566.75
Loss	24,516.11	24,516.11	-
Total	199,681.68	72,590.88	127,090.81

IV. Non Performing Assets (NPA) Ratios

Details	Ratio in %
Gross NPA to Gross Advance	5.48%
Net NPA to Net Advance	3.56%

V. Movement in Loan Loss Provision

NPR('000)

Details	Closing Balance Chaitra 2077 End	Closing Balance Ashad 2078 End	Movement
Pass	29,238.89	42,176.81	12,937.92
Watchlist	17,242.74	9,942.02	(7,300.72)
Substandard	7,139.53	39,508.02	32,368.49
Doubtful	9,550.59	8,566.75	(983.84)
Loss	33,274.86	24,516.11	(8,758.75)
Total	96,446.61	124,709.70	28,263.10

VI. Write off loans and Interest Suspense

The bank has not written off any loans & advances during the third quarter of fiscal year 2077/78.

VII. Movement in Interest Suspense

NPR('000)

Details	Closing Balance Chaitra 2077	Closing Balance Ashad 2078	Movement
Interest Suspense	65,324.94	36,973.43	28,351.51

VII. Details of Additional Loan Loss Provision

NPR('000)

Details	Movement
Pass	-
Watchlist	-
Substandard	-
Doubtful	-
Loss	-
Total	-

VIII. Segregation of the Bank's Investment Portfolio

NPR('000)

Details	Amount
Investment Security Measured at Amortized Cost	
Investment in Equity Measured at FVTOCI	83,819.73
Investment in unquoted Associated	
Other Trading Assets	
Investment Portfolio	
Total	-

3. Risk Management Function

The bank has a risk management system to identify, assess, monitor the risk inherent in banking operation such as credit risk, market risk, liquidity risk, operation risk, capital adequacy and provide appropriate directions and guidelines to the management for mitigation of risk. A risk management system incorporating every area has been formed for effective risk management.

i. Credit Risk

The bank has Risk Management Policy, Credit policy Guidelines and standardized form for analyzing the risk and credit worthiness. The bank's Credit Risk Unit is structured for inspection and supervision of loan proposals before the loan approval. Furthermore, delegation of approving authority to various level and compliance of NRB directive is ensured. Risk Weighted Exposure for Credit Risk has been calculated as per NRB Capital Adequacy Framework.

ii. Operation Risk

The bank has formed various policies for mitigating the operation risk like Financial Administration bylaws, Employee Bylaws, Operation Manual, AML/CFT policy. Risk Weighted Exposure for Operation Risk has been calculated as per NRB Capital Adequacy Framework.

iii. Market Risk

Finance Department act proactively to cope up with the market risk. Risk Weighted Exposure for market risk has been calculated as per the NRB capital Adequacy Framework.

iv. Liquidity Risk

To mitigate the liquidity risk, the bank daily monitors the liquidity position. Similarly, periodic review of gap over the assets and liabilities is also performed.

v. Reputational Risk

The management team along with all staffs are responsible for protecting the bank's reputation and ensures bank does not take any activity that may cause material damage to reputation of the bank. Further, the bank also has appointed the information officer.