

**SINDHU BIKASH BANK LIMITED**  
**DISCLOSURES UNDER CAPITAL ADEQUACY FRAMEWORK OF NRB (BASEL-II)**  
**FOR FISCAL YEAR ENDING ON 32 ASADH 2079 (16<sup>TH</sup> JULY, 2022)**

**1. CAPITAL STRUCTURE AND CAPITAL ADEQUACY**

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

**NPR ('000)**

S.N	Particulars	Amount
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	48,293.33
F	Retained Earnings	(98,913.13)
G	Un-audited current year cumulative profit/(loss)	68,101.91
H	Capital Redemption Reserve	
I	Capital Adjustment Reserve	18.75
J	Dividend Equalization Reserves	
K	Other Free Reserve	
L	Less: Goodwill	(2,168.89)
M	Less: Deferred Tax Assets	
N	Less: Fictitious Assets	
O	Less: Investment in equity in licensed Financial Institutions	
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	92,742.13
<b>Total Core Capital</b>		<b>484,383.69</b>

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

**NPR ('000)**

SN	Particulars	Amount
a	Cumulative and/or Redeemable Preference Share	-
b	Subordinated Term Debt	-
c	Hybrid Capital Instruments	-
d	General loan loss provision	59,244.61
e	Exchange Equalization Reserve	-
f	Investment Adjustment Reserve	-
g	Asset Revaluation Reserve	-
h	Other Reserves	-
<b>Total Supplementary Capital</b>		<b>59,244.61</b>

**III. INFORMATION ABOUT SUBORDINATE TERM DEBT:**

The Bank does not have any subordinated Term Debt.

**IV. DEDUCTION FROM CAPITAL:**
**NPR ('000)**

Particulars	Amount
Less: Investment in equity in licensed Financial Institutions	-

**V. TOTAL QUALIFYING CAPITAL:**
**NPR ('000)**

Particulars	Amount
Total Core Capital (Tier I)	484,383.69
Total Supplementary Capital (Tier II)	59,244.61
<b>Total Capital Fund (Tier I + Tier II)</b>	<b>543,628.30</b>

**VI. CAPITAL ADEQUACY RATIO:**

Particulars	Percentage
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	11.47%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	12.88%

**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 Asadh end, 2079 is 11.47% and the Total Capital Ratio is 12.88%. 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	3,741,681.91
b	Risk Weighted Exposure for Operational Risk	397,162.45
c	Risk Weighted Exposure for Market Risk	-
<b>Total Risk Weighted Exposures (Before adjustments of Pillar II)</b>		<b>4,138,844.36</b>
<b>Adjustments under Pillar II</b>		
<b>SRP 6.4a (5)</b>	ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	-
<b>SRP 6.4a (6)</b>	Add .... % of the total deposit due to insufficient Liquid Assets	-
<b>SRP 6.4a (7)</b>	Add RWE equivalent to reciprocal of capital charge of 2-5% of gross income	-
<b>SRP 6.4a (9)</b>	If overall risk management policies and procedures are not satisfactory, Add ...% of RWE	82,776.89
<b>SRP 6.4a (10)</b>	If desired level of disclosure requirement has not been achieved, Add .... % of RWE	-
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)</b>		<b>4,221,621.25</b>

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

Details	NRS
Claims on domestic banks that meet capital adequacy requirements	1,388,644.80
Claims on Domestic Corporates (Unrated)	922,720.83

Regulatory Retail Portfolio (Not Overdue)	288,962.43
Claims fulfilling all criterion of regularity retail except granularity	59,747.81
Claims secured by residential properties	1,539,067.91
Claims secured by residential properties (Overdue)	152,677.14
Claims secured by Commercial real estate	-
Past due claims (except for claims secured by residential properties)	87,835.33
High Risk claims	517,093.47
<b>Details</b>	<b>NPR ('000)</b>
Lending Against Securities (Bonds & Shares)	-
Investments in equity and other capital instruments of institutions listed in stock exchange	49,236.84
Investments in equity and other capital instruments of institutions not listed in the stock exchange	-
Staff loan secured by residential property	48,885.74
Other Assets (as per attachment)	358,785.70
Off Balance Sheet Exposures	9,800.00
<b>Total</b>	<b>5,565,284.92</b>

**NPR ('000)**

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	63,967.63			63,967.63	0%	-
Balance with Nepal Rastra Bank	87,659.30			87,659.30	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	1,388,644.80		-	1,388,644.80	20%	277,728.96
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)	922,720.83		1,300.00	921,420.83	100%	921,420.83
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)	288,962.43		147,529.34	141,433.10	75%	106,074.82
Claims fulfilling all criterion of regularity retail except granularity	59,747.81		39,267.00	20,480.81	100%	20,480.81
Claims secured by residential properties	1,539,067.91		-	1,539,067.91	60%	923,440.75
Claims not fully secured by residential properties			-	-	150%	-
Claims secured by residential properties (Overdue)	152,677.14		-	152,677.14	100%	152,677.14
Claims secured by Commercial real estate	-		-	-	100%	-
Past due claims (except for claims secured by residential properties)	87,835.33		-	-	150%	131,753.00
High Risk claims	517,093.47		-	517,093.47	150%	775,640.20
Lending Against Securities (Bonds)	-		-	-	100%	-
Investments in equity and other capital instruments of institutions listed in stock exchange	49,236.84		-	49,236.84	100%	49,236.84
Investments in equity and other capital instruments of institutions not listed in the stock exchange	-		-	-	150%	-
Staff loan secured by residential property	48,885.74		-	48,885.74	50%	24,442.87
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)	358,785.70	-	-	358,785.70	100%	358,785.70
<b>TOTAL (A)</b>	<b>4,483,703.65</b>	<b>-</b>	<b>189,957.31</b>	<b>4,293,746.35</b>		<b>3,519,712.87</b>

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	9,800.00		-	9,800.00	100%	9,800.00
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%	-
<b>TOTAL (B)</b>	<b>9,800.00</b>	<b>-</b>	<b>-</b>	<b>9,800.00</b>		<b>9,800.00</b>
<b>Total RWE for credit Risk Before Adjustment (A) +(B)</b>	<b>5,565,284.92</b>	<b>-</b>	<b>188,096.34</b>	<b>5,377,188.59</b>		<b>3,741,681.91</b>
<b>Adjustments under Pillar II</b>						
Answer the question SRP 6.4a (3) in SRP sheet						-
Answer the question SRP 6.4a (4) in SRP sheet						-
<b>Total RWE for Credit Risk after Bank's adjustments under Pillar II</b>	<b>5,565,284.92</b>	<b>-</b>	<b>188,096.34</b>	<b>5,377,188.59</b>		<b>3,741,681.91</b>

**III. Non-Performing Assets:**
**NPR ('000)**

Details	Gross Loan Outstanding	Provision	Net Amount
Substandard	14,042.59	3,215.45	10,827.13
Doubtful	15,153.42	7,576.71	7,576.71
Loss	9,044.63	9,044.63	-
<b>Total</b>	<b>38,240.64</b>	<b>19,836.80</b>	<b>18,403.84</b>

**IV. Non-Performing Assets (NPA) Ratios:**
**(%)**

Details	Ratio
Gross NPA to Gross Advance	2.80%
Net NPA to Net Advance	0.47%

**V. Movement in Loan Loss Provision:**
**NPR ('000)**

Details	Closing Balance Chaitra 2078 End	Closing Balance Asadh 2079 End	Movement
Pass	45,777.58	50,494.78	4,717.20
Watchlist	14,215.31	4,925.11	(9,290.19)
Substandard	10,104.85	3,215.45	(6,889.39)
Doubtful	6,106.81	7,576.71	1,469.90
Loss	10,919.06	9,044.63	(1,874.43)
<b>Total</b>	<b>87,123.61</b>	<b>75,256.69</b>	<b>(11,866.92)</b>

**VI. Write off loans and Interest Suspend:**

The bank has not written off any loans & advances during the fourth quarter of fiscal year 2078/79.

**VII. Movement in Interest Suspend:**
**NPR ('000)**

Details	Closing Balance Chaitra 2078	Closing Balance Asadh 2079	Movement
Interest Suspend	30,555.40	28,548.60	(2,006.81)

**VII. Details of Additional Loan Loss Provision:**
**NPR ('000)**

Details	Movement
Pass	-
Watchlist	-
Substandard	-
Doubtful	-
Loss	-
<b>Total</b>	<b>-</b>

**VIII. Segregation of the Bank's Investment Portfolio:**
**NPR ('000)**

Details	Amount
Investment Security Measured at Amortized Cost	-
Investment in Equity Measured at FVTOCI	49,236.84
Investment in unquoted Associated	-
Other Trading Assets	-
Investment Portfolio	-
<b>Total</b>	<b>49,236.84</b>

**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.