

**SINDHU BIKASH BANK LIMITED**  
**DISCLOSURES UNDER CAPITAL ADEQUACY FRAMEWORK OF NRB (BASEL-II)**  
**FOR FISCAL YEAR ENDING ON 30<sup>TH</sup> CHAITRA, 2079 (13<sup>TH</sup> APRIL, 2023)**

**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	43,914.21
F	Retained Earnings	-70,330.00
G	Un-audited current year cumulative profit/(loss)	-18,409.81
H	Capital Redemption Reserve	
I	Capital Adjustment Reserve	
J	Dividend Equalization Reserves	
K	Other Free Reserve	
L	Less: Goodwill	2,148.64
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	
<b>Total Core Capital</b>		<b>510,481.83</b>

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

**NPR ('000)**

S.N.	Particulars	Amount
a	Cumulative and/or Redeemable Preference Share	-
b	Subordinated Term Debt	-
c	Hybrid Capital Instruments	-
d	General loan loss provision	70,134.14
e	Exchange Equalization Reserve	-
f	Investment Adjustment Reserve	-
g	Asset Revaluation Reserve	-
h	Other Reserves	-
<b>Total Supplementary Capital</b>		<b>70,134.14</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 of licensed Financial Institutions	-

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

Particulars	Amount
Total Core Capital (Tier I)	510,481.83
Total Supplementary Capital (Tier II)	70,134.14
<b>Total Capital Fund (Tier I + Tier II)</b>	<b>580,615.97</b>

**VI. CAPITAL ADEQUACY RATIO:**

Particulars	Percentage
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	10.86%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	12.35%

**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 on Chaitra end, 2079 is 10.86 % and the Total Capital Ratio is 12.35 %. 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	3,997,530.21
b	Risk Weighted Exposure for Operational Risk	400,924.65
c	Risk Weighted Exposure for Market Risk	-
<b>Total Risk Weighted Exposures (Before adjustments of Pillar II)</b>		<b>4,398,454.86</b>
<b>Adjustments under Pillar II</b>		
<b>SRP 6.4a (5)</b>	ALM policies & practices are not satisfactory, add ...% 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% of gross income	39,718.20
<b>SRP 6.4a (9)</b>	If overall risk management policies and procedures are not satisfactory, Add 4% of RWE	175,938.19
<b>SRP 6.4a (10)</b>	If desired level of disclosure requirement has not been achieved, Add 2% of RWE	87,969.10
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)</b>		<b>4,702,080.35</b>

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

Details	Amount
Claims on domestic banks that meet capital adequacy requirements	1,058,222.13
Claims on Domestic Corporates (Unrated)	1,144,376.03

Regulatory Retail Portfolio (Not Overdue)	234,115.28
Claims fulfilling all criterion of regularity retail except granularity	51,848.20
Claims secured by residential properties	1,110,749.37
Claims secured by residential properties (Overdue)	605,584.28
Claims secured by Commercial real estate	-
Past due claims (except for claims secured by residential properties)	94,249.64
High Risk claims	318,315.28
<b>Details</b>	<b>NPR ('000)</b>
Lending Against Shares (up-to Rs. 2.5 million)	12,855.56
Investments in equity and other capital instruments of institutions listed in stock exchange	70,813.41
Investments in equity and other capital instruments of institutions not listed in the stock exchange	-
Staff loan secured by residential property	39,457.01
Other Assets	546,747.08
Off Balance Sheet Exposures	7,893.00
<b>Total</b>	<b>5,660,594.40</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	46,849.05			46,849.05	0%	-
Balance with Nepal Rastra Bank	219,894.40			219,894.40	0%	-
Gold				-	0%	-
Investment in Nepalese Government Securities				-	0%	-
All Claims on Government of Nepal				-	0%	-
Investment in Nepal Rastra Bank securities	98,624.67			98,624.67	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	1,058,222.13		-	1,058,222.13	20%	211,644.43
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)	1,144,376.03		-	1,144,376.03	100%	1,144,376.03
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)	234,115.28		138,609.33	95,505.95	75%	71,629.46
Claims fulfilling all criterion of regularity retail except granularity	51,848.20		30,886.74	20,961.45	100%	20,961.45
Claims secured by residential properties	1,110,749.37		-	1,110,749.37	60%	666,449.62
Claims not fully secured by residential properties			-	-	150%	-
Claims secured by residential properties (Overdue)	605,584.28		-	605,584.28	100%	605,584.28
Claims secured by Commercial real estate	-		-	-	100%	-
Past due claims (except for claims secured by residential properties)	94,249.64		-	94,249.64	150%	141,374.46
High Risk claims	318,315.28		-	318,315.28	150%	477,472.92
Lending Against Shares (up-to Rs. 2.5 million)	12,855.56		-	12,855.56	100%	12,855.56
Investments in equity and other capital instruments of institutions listed in stock exchange	70,813.41		-	70,813.41	100%	70,813.41
Investments in equity and other capital instruments of institutions not listed in the stock exchange	-		-	-	150%	-
Staff loan secured by residential property	39,457.01		-	39,457.01	50%	19,728.50
Interest Receivable/claim on government securities				-	0%	-
Cash in transit and other cash items in the process of collection				-	20%	-
Other Assets	546,747.08	-	-	546,747.08	100%	546,747.08
<b>TOTAL (A)</b>	<b>5,652,701.40</b>	<b>-</b>	<b>169,496.07</b>	<b>5,483,205.32</b>		<b>3,989,637.21</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	7,893.00		-	7,893.00	100%	7,893.00
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>7,893.00</b>	<b>-</b>	<b>-</b>	<b>7,893.00</b>		<b>7,893.00</b>
<b>Total RWE for Credit Risk Before Adjustment (A) +(B)</b>	<b>5,660,594.40</b>	<b>-</b>	<b>169,496.07</b>	<b>5,491,098.32</b>		<b>3,997,530.21</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>5,660,594.40</b>	<b>-</b>	<b>169,496.07</b>	<b>5,491,098.32</b>		<b>3,997,530.21</b>

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

Details	Gross Loan Outstanding	Provision	Net Amount
Substandard	118,213.98	29,553.49	88,660.48
Doubtful	35,422.47	17,711.24	17,711.24
Loss	9,842.14	9,842.14	-
<b>Total</b>	<b>163,478.59</b>	<b>57,106.87</b>	<b>106,371.72</b>

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

Details	Ratio
Gross NPA to Gross Advance	4.27%
Net NPA to Net Advance	1.54%

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

Details	Closing Balance Poush, 2079 End	Closing Balance Chaitra, 2079 End	Movement
Pass	44,696.25	39,672.20	(5,024.05)
Watchlist	15,306.91	30,461.94	15,155.03
Substandard	21,831.73	29,553.49	7,721.76
Doubtful	47,546.16	17,711.24	(29,834.92)
Loss	10,557.24	9,842.14	(715.10)
<b>Total</b>	<b>139,938.29</b>	<b>127,241.01</b>	<b>(12,697.28)</b>

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

The bank has not written off any loans & advances during the third quarter of fiscal year 2079/80.

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

Details	Closing Balance Poush, 2079	Closing Balance Chaitra, 2079	Movement
Interest Suspend	61,205.17	75,084.44	13,879.27

**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	70,813.41
Investment in unquoted Associated	-
Other Trading Assets	-
Investment Portfolio	-
<b>Total</b>	<b>70,813.41</b>

**3. Risk Management Function:**

The bank has implemented a risk management system to identify, assess, and monitor the various risks associated with its banking operations, including credit risk, market risk, liquidity risk, operational risk, and capital adequacy. This system provides the necessary guidance and directions to the management team for the effective mitigation of these risks. Furthermore, the bank has established a comprehensive risk management system that incorporates each of these areas to ensure effective risk management.

**i. Credit Risk:**

The bank has established a Risk Management Policy, Credit Policy Guidelines, and Standardized Form to analyze risk and creditworthiness. The bank's Credit Risk Unit is responsible for inspecting and supervising loan proposals prior to approval. Additionally, the bank ensures compliance with NRB directives and has delegated loan approval authority to various levels. The Risk Weighted Exposure for Credit Risk has been calculated in accordance with the NRB Capital Adequacy Framework.

**ii. Operation Risk:**

To manage operational risk, the bank has established several policies, including Financial Administration Bylaws, Employee Bylaws, Operation Manual, and AML/CFT policy. In addition, the bank has calculated the Risk Weighted Exposure for operational risk in accordance with the NRB Capital Adequacy Framework.

**iii. Market Risk:**

The Accounts and Finance Department takes a proactive approach to manage market risk, and has calculated the Risk Weighted Exposure for market risk in accordance with the NRB Capital Adequacy Framework.

**iv. Liquidity Risk:**

In order to manage liquidity risk, the bank conducts daily monitoring of its liquidity position and periodically reviews the gap between its assets and liabilities.

**v. Reputational Risk:**

The bank's management and staff are accountable for safeguarding the institution's reputation and avoiding any actions that could significantly harm it. Additionally, the bank has designated an information officer to oversee this responsibility.