

**SINDHU BIKASH BANK LIMITED**  
**DISCLOSURES UNDER CAPITAL ADEQUACY FRAMEWORK OF NRB (BASEL-II)**  
**FOR QUARTER ENDING ON 29<sup>th</sup> POUH, 2081 (13<sup>TH</sup> JANUARY, 2025)**

**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	5,57,456.07
B	Irredeemable Non-cumulative preference shares	
C	Share Premium	
D	Proposed Bonus Equity Shares	
E	Statutory General Reserves	61,118.10
F	Retained Earnings	(3,67,624.72)
G	Un-audited current year cumulative profit/(loss)	48,704.12
H	Capital Redemption Reserve	
I	Capital Adjustment Reserve	18.75
J	Dividend Equalization Reserves	
K	Other Free Reserve	
L	Less: Goodwill	
M	Less: Deferred Tax Assets	
N	Less: Fictitious Assets	1,727.80
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	17,949.05
<b>Total Core Capital</b>		<b>2,79,995.46</b>

**II. TIER-2 CAPITAL AND 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	50,975.54
e	Exchange Equalization Reserve	
f	Investment Adjustment Reserve	
g	Accrued Interest Receivable on pass loan included in Regulatory Reserve	5,940.64
h	Interest Capitalized Reserve included in Regulatory Reserve	-
i	Other Reserves	-
<b>Total Supplementary Capital</b>		<b>56,916.18</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)	2,79,995.46
Total Supplementary Capital (Tier II)	56,916.18
<b>Total Capital Fund (Tier I + Tier II)</b>	<b>3,36,911.64</b>

**VI. CAPITAL ADEQUACY RATIO:**

Particulars	Percentage
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	6.83%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	8.22%

**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 Poush end, 2081 is 6.83 % and the Tier 1 and Tier 2 Capital adequacy Ratio is 8.22 %. The bank in its strategic planning cautiously considers the capital adequacy and manage capital adequacy required for the organization's growth. The Bank has taken the deficiency in capital adequacy as short-term phenomenon as the recovery of loans that have been turned to Non-Performing will compensate the deficiency soon.

**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	35,73,042.32
b	Risk Weighted Exposure for Operational Risk	3,26,507.02
c	Risk Weighted Exposure for Market Risk	-
<b>Total Risk Weighted Exposures (Before adjustments of Pillar II)</b>		<b>38,99,549.34</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% of gross income	43,671.40
<b>SRP 6.4a (9)</b>	If overall risk management policies and procedures are not satisfactory, Add 4% of RWE	1,55,981.97
<b>SRP 6.4a (10)</b>	If desired level of disclosure requirement has not been achieved, Add 2% of RWE	-
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)</b>		<b>40,99,202.71</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	1,71,108.97
Claims on Domestic Corporates (Unrated)	7,60,794.78
Regulatory Retail Portfolio (Not Overdue)	92,258.27
Claims fulfilling all criterion of regularity retail except granularity	48,888.09
Claims secured by residential properties	7,42,562.88
Claims secured by residential properties (Overdue)	4,66,661.45
Claims secured by Commercial real estate	-
Past due claims (except for claims secured by residential properties)	6,41,475.14
High Risk claims	56,032.49
Real Estate loans for land acquisition and development (Other than mentioned in Capital Adequacy framework 2007-point 3.3(j)(1)(j))	62,500.00
<b>Others</b>	<b>NPR ('000)</b>
Lending against Shares (above Rs.5 Million)	19,027.05
Lending Against Shares (upto Rs. 5 Million)	32,487.62
Personal Hire purchase/Personal Auto Loans	9,918.05
Investments in equity and other capital instruments of institutions listed in stock exchange	1,09,260.14
Investments in equity and other capital instruments of institutions not listed in the stock exchange	-
Interest Receivable/claim on government securities	-
Staff loan secured by residential property	42,654.47
Other Assets	3,02,722.56
Off Balance Sheet Exposures	14,690.36
<b>Total</b>	<b>3,573,042.32</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	71,923.52			71,923.52	0%	-
Balance with Nepal Rastra Bank	2,85,978.43			2,85,978.43	0%	-
Gold				-	0%	-
Investment in Nepalese Government Securities	12,64,143.52			12,64,143.52	0%	-
Investment in Nepal Rastra Bank securities	-			-	0%	0
Claims on domestic banks that meet capital adequacy requirements	8,55,544.85		-	8,55,544.85	20%	1,71,108.97
Claims on Domestic Corporates (Unrated)	7,60,794.78		-	7,60,794.78	100%	7,60,794.78
Regulatory Retail Portfolio (Not Overdue)	2,52,598.11		1,29,587.09	1,23,011.02	75%	92,258.27
Claims fulfilling all criterion of regularity retail except granularity	66,068.09		17,180.00	48,888.09	100%	48,888.09
Claims secured by residential properties	12,37,604.80		-	12,37,604.80	60%	7,42,562.88

Claims not fully secured by residential properties						
Claims secured by residential properties (Overdue)	4,66,661.45		-	4,66,661.45	100%	4,66,661.45
Past due claims (except for claims secured by residential properties)	6,44,083.88	2,14,139.05	2,294.74	4,27,650.09	150%	6,41,475.14
High Risk claims	39,496.78	2,141.79	-	37,354.99	150%	56,032.49
Real Estate loans for land acquisition and development (Other than mentioned in Capital Adequacy framework 2007-point 3.3(j)(1)(j))	50,000.00		-	50,000.00	125%	62,500.00
Lending against Shares (above Rs.5 Million)	15,221.64		-	15,221.64	125%	19,027.05
Lending Against Shares (upto Rs. 5 Million)	32,487.62		-	32,487.62	100%	32,487.62
Personal Hire purchase / Personal Auto Loans	9,918.05		-	9,918.05	100%	9,918.05
Investments in equity and other capital instruments of institutions listed in stock exchange	1,09,260.14		-	1,09,260.14	100%	1,09,260.14
Investments in equity and other capital instruments of institutions not listed in the stock exchange	-		-	-	150%	-
Staff loan secured by residential property	85,308.95			85,308.95	50%	42,654.47
Interest Receivable/claim on government securities	3,003.53			3,003.53	0%	-
Other Assets	5,25,563.98	2,22,841.42	-	3,02,722.56	100%	3,02,722.56
<b>TOTAL (A)</b>	<b>67,75,662.13</b>	<b>4,39,122.26</b>	<b>1,49,061.83</b>	<b>61,87,478.04</b>		<b>35,58,351.96</b>

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Financial Guarantee	75.00		-	75.00	100%	75.00
Irrevocable Credit commitments (short term)	73,076.80		-	73,076.80	20%	14,615.36
<b>TOTAL (B)</b>	<b>73,151.80</b>	<b>-</b>	<b>-</b>	<b>73,151.80</b>		<b>14,690.36</b>
<b>Total RWE for Credit Risk Before Adjustment (A) +(B)</b>	<b>68,48,813.93</b>	<b>4,39,122.26</b>	<b>1,49,061.83</b>	<b>62,60,629.84</b>		<b>35,73,042.32</b>
<b><u>Adjustments under Pillar II</u></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>68,48,813.93</b>	<b>4,39,122.26</b>	<b>1,49,061.83</b>	<b>62,60,629.84</b>		<b>35,73,042.32</b>

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

Details	Gross Loan Outstanding	Provision	Net NPA Amount
Restructured	-	-	-
Substandard	90,813.52	22,703.38	68,110.14
Doubtful	87,885.86	43,942.93	43,942.93
Loss	170,045.12	170,045.12	-
<b>Total</b>	<b>348,744.50</b>	<b>236,691.43</b>	<b>112,053.07</b>

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

Details	Ratio
Gross NPA to Gross Advance	9.06%
Net NPA to Net Advance	3.18%

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

Details	Closing Balance Asoj, 2081 End	Closing Balance Poush, 2081 End	Movement
Pass	28,708.32	29,485.33	(777.01)
Watchlist	49,092.17	55,229.59	(6,137.42)
Restructured	-	-	-
Substandard	50,618.32	22,703.38	27,914.94
Doubtful	69,852.70	43,942.93	25,909.77
Loss	114,903.90	170,045.12	(55,141.22)
<b>Total</b>	<b>313,175.41</b>	<b>321,406.35</b>	<b>(8,230.94)</b>

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

The bank has not written off any loans & advances during the second quarter of fiscal year 2081/82.

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

Details	Closing Balance Asoj, 2081	Closing Balance Poush, 2081	Movement
Interest Suspend	85,493.41	71,554.54	(13,938.87)

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

Details	Movement
Pass	-
Watchlist	14,306.56
Substandard	-
Doubtful	-
Loss	-
<b>Total</b>	<b>14,306.56</b>

**VIII. Segregation of the Bank's Investment Portfolio:**

Details	<i>NPR ('000)</i> Amount
Investment Security Measured at Amortized Cost	1,105,655.62
Investment in Equity Measured at FVTOCI	60,621.04
Investment in unquoted Associated	-
Other Trading Assets	-
Investment Portfolio	-
<b>Total</b>	<b>1,166,276.67</b>

**3. Risk Management Function:**

The bank has implemented 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 Capital Adequacy Framework published by the NRB.

**ii. Operation Risk:**

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

**iii. Market Risk:**

ALCO ensures functioning of the jobs in line with the policies and procedures and suggests/recommends for necessary steps collectively to address the risk on interest rate movement. The management takes a proactive approach to manage market risk, and has calculated the Risk Weighted Exposure for market risk in accordance with the Capital Adequacy Framework published by the NRB. Market Risks are discussed at Asset Liability Management Committee (ALCO) of the bank and even discussed at respective division level.

**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 along with an established Disclosure Policy.