

## Disclosure under Basel II

### Sanima Bank Ltd

As at Mid Oct 2015 (1<sup>st</sup> Quarter End of FY 2015/16)

#### Capital Structure and Capital Adequacy:

- Tier 1 Capital and Breakdown of its Components**

	Particulars	Amount (Rs)
a	Paid up Equity Share Capital	3,060,288,000
b	Irredeemable Non-cumulative preference shares	-
c	Share Premium	-
d	Proposed Bonus Equity Shares	-
e	Statutory General Reserves	365,328,259
f	Retained Earnings	1,323,688
g	Un-audited current year cumulative profit	176,843,572
h	Capital Redemption Reserves	-
i	Capital Adjustment Reserves	-
j	Dividend Equalization Reserves	-
k	Debenture Redemption Reserves	-
l	Deferred Tax Reserve	-
m	Other Free Reserves	-
n	Less: Goodwill	-
o	Less: Fictitious Assets	-
p	Less: Investment in equity of licensed Financial Institutions	-
q	Less: Investment in equity of institutions with financial interests	10,355,000
r	Less: Investment in equity of institutions in excess of limits	-
s	Less: Investments arising out of underwriting commitments	-
t	Less: Reciprocal crossholdings	-
u	Less: Other Deductions	-
	<b>Total Tier 1 Capital</b>	<b>3,593,428,520</b>

- Tier 2 Capital and Breakdown of its Components**

	Particulars	Amount (Rs)
a	Cumulative and/or Redeemable Preference Share	-
b	Subordinated Term Debt	370,000,000
c	Hybrid Capital Instruments	-
d	General loan loss provision	332,766,379
e	Exchange Equalization Reserves	3,198,743
f	Investments Adjustment Reserves	555,000
g	Assets Revaluation Reserves	-
h	Other Reserves	-
	<b>Total Tier 2 Capital</b>	<b>706,520,123</b>

- Details of Subordinated Term Debt:**

The Bank has issued "7% Sanima Debenture 2079" of Rs 1000 each for amount Rs 370,000,000.

Issued Date: 2072-4-20      Expiry Date: 2079-4-19      Tenure: 7 Years

- **Deductions from Capital:**

The Bank has invested Rs 10,355,000/- in Sanima Hydro Power, Sanima Insurance and Sanima Foundation, which the bank has deducted from its core capital.

- **Total Qualifying Capital:**

Particulars	Amount (Rs)
Core Capital (Tier 1)	3,593,428,520
Supplementary Capital (Tier 2)	706,520,123
<b>Total Capital Fund</b>	<b>4,299,948,642</b>

- **Capital Adequacy Ratio: 11.68%**

**Risk Exposures:**

- **Risk weighted exposures for credit Risk, Market Risk and Operational Risk:**

RISK WEIGHTED EXPOSURES	Amount (Rs)
Risk Weighted Exposure for Credit Risk	33,024,035,995
Risk Weighted Exposure for Operational Risk	1,700,303,885
Risk Weighted Exposure for Market Risk	566,514,428
<b>Total Risk Weighted Exposures (Before Bank's adjustment of Pillar II)</b>	<b>35,290,854,307</b>

- **Risk Weighted exposures under each 11 categories of Credit Risk:**

S.N.	Categories	Amount (Rs)
1	Claims on Government and Central Bank	765,127,157
2	Claims on Other Financial Entities	-
3	Claims on Banks	629,921,306
4	Claims on Domestic Corporate and Securities Firms	16,198,991,736
5	Claims on Regulatory Retail Portfolio & Other Retail Portfolio	6,090,837,647
6	Claims secured by residential properties	1,465,859,626
7	Claims secured by Commercial real estate	383,153,357
8	Past due claims	43,635,696
9	High Risk claims	3,431,037,680
10	Other Assets	1,030,749,935
11	Off Balance Sheet Items	2,984,721,855
<b>Total</b>		<b>33,024,035,995</b>

- **Total Risk Weight Exposures calculation Table:**

RISK WEIGHTED EXPOSURES	Amount (Rs)
Risk Weighted Exposure for Credit Risk	33,024,035,995
Risk Weighted Exposure for Operational Risk	1,700,303,885
Risk Weighted Exposure for Market Risk	566,514,428
Add: 3% of the total RWE add by Supervisory Review	1,058,725,629
Add: RWE equivalent to reciprocal of capital charge of 3% of Gross Income	457,100,000
Add: 1% of Net Interest Income to RWE	11,393,899
<b>Total Risk Weighted Exposures (After Bank's adjustment of Pillar II)</b>	<b>36,818,073,836</b>
Total Core Capital	3,593,428,520
<b>Total Capital</b>	<b>4,299,948,642</b>

- **Amount of Non-Performing Assets(both Gross and Net):**

Particulars	Gross Amount (Rs)	Loan Loss Provision (Rs)	Net NPL (Rs)
Restructured	-	-	-
Sub-Standard	1,315,549	328,887	986,662
Doubtful	6,556,872	3,278,436	3,278,436
Loss	6,075,409	6,075,409	-
<b>Total</b>	<b>13,947,830</b>	<b>9,682,732</b>	<b>4,265,098</b>

- **NPA Ratios:**

NPA Ratios	(%)
Gross NPA to Gross Advances	0.05
Net NPA to Net Advances	0.01

- **Movement in Non Performing Assets:**

Particulars	This Quarter (Rs)	Previous Quarter (Rs)	Change (%)
Non Performing Assets (Volumes)	13,947,830	20,813,964	-32.99%
Non Performing Assets (%)	0.05	0.07	-0.02%

- **Write off Loans and Interest Suspense:**

Particulars	Amount
Write off loans during the year	-
Write off Interest Suspense year	-
<b>Total</b>	<b>-</b>

- **Movement in Loan Loss Provision and Interest Suspense**

Particulars	This Quarter (Rs)	Previous Quarter(Rs)	Change (%)
Loan Loss Provision (Total)	342,615,690	359,118,643	-4.60%
Interest Suspense	97,159,892	62,167,916	56.29%

- **Details of Additional Loan Loss Provision during the quarter:**

Particulars	Amount (Rs)
Pass	20,947,399
Restructured	
Sub-Standard	162,082
Doubtful	543,828
Loss	3,384,424
<b>Total</b>	<b>25,037,734</b>

- **Segregation of Investment Portfolio:**

<b>Particulars</b>	<b>Amount (Rs)</b>
Held for Trading	25,591,840
Held to Maturity	7,127,592,194
Available for sale	12,657,600
<b>Total Investment</b>	<b>7,165,841,634</b>

## **Risk Management Function**

### **Appointment of CRO**

Chief Risk Officer (CRO), along with his team, is responsible for overall risk management of the Bank which includes managing, assessing, identifying, monitoring and reducing pertinent global, macro and micro-economic level business risks that could interfere with Banks objective and goals and whether the Bank is in substantial compliance with its internal operating policies and other applicable regulations and procedures, external, legal, regulatory or contractual requirements on a continuous basis. Further, CRO ensures integration of all major risk in capital assessment process.

### **Risk Management Committee (RMC)**

Board level risk management committee has been set up under NRB Directive for ensuring/reviewing bank's risk appetite are in line with the policies and CRO acts as member secretary. CRO closely monitors and report on credit related risks in ALCO & RMC meeting.

### **Operational Risk**

Board and senior management of the bank places high priority on effective operational risk management and adherence to sound operating controls.

- Policies/Guidelines explicitly supports the identification, assessment, control and reporting of key risks.
- Emphasizes on dual controls,
- Effective monitoring and internal reporting,
- Contingency and business continuity plans,
- High standards of ethics and integrity,
- Commitment to good corporate governance and
- Segregation of duties and clear lines of management responsibility, accountability and reporting.

### **Market Risk**

Sanima has Market Risk Management Policy developed in line with Risk Management Guidelines issued by NRB to assess and actively manage all material market risks, wherever they arise throughout the bank and a capital charge is provided for such risks. Stress testing technique also covers the capital requirement on market shock. Foreign Currency peak position, interest rate risk, stock position is discussed in ALCO meetings on monthly basis.

For interest risk management, appropriate assets and liability mismatch (GAP analysis) is measured as per policy so as to minimize sudden fall in NII. Investments in stock are revalued at the end of every month and Open positions in foreign currencies are monitored daily. Prompt Action is taken to keep open positions and foreign currency exchange risk to a minimum level. Regulatory limits too are ensured at all time.

Adequate care is taken to ensure the maturity of deposits to match with assets maturity. Adequate liquidity is ensured even in stressed scenarios. Various ratios as per liquidity risk management policy are assessed. Treasury department plays the vital role for monitoring same and report to ALCO.

### **Compliance**

Compliance officer has been entrusted with the responsibility of assessment, identification and reporting to CRO the Operational, Liquidity & Market Risk in conformity with risk management policies of Sanima.

### **Assets and Liability Committee (ALCO)**

The ALCO, chaired by Chief Executive Officer, ensures functioning of the banking business in line with the set procedures and processes and recommends for necessary steps to address the risk associated with liquidity, movement in interest rate, exchange rate and equity price and other risks.

### **Stress Testing**

Stress Testing is a risk management technique used to evaluate the potential effects on an institution's financial condition, of a set of specified changes in risk factors, corresponding to exceptional but plausible events. The Bank conducts the stress test on quarterly basis and reports to senior management.

### **Internal Capital Adequacy Assessment Process (ICAAP)**

The Bank has developed a comprehensive ICAAP document. The ICAAP has two major components; first is an internal process to identify measure, manage and report risks to which the bank is exposed or could be exposed in the future; and second is an internal process to plan and manage a bank's capital so as to ensure adequate capital. The Bank also conducts the stress test on quarterly basis and reports to senior management. The Bank in line with BASEL provisions and ICAAP document assesses risk exposures and allocated sufficient capital/cushion for perceived risks. The adequacy of capital is main agenda of any ALCO, Man-Com and board meetings.

### **Maker-Checker Policy**

The Bank has adopted Maker-Checker Policy in all of the transactions. Each and every transaction is entered and authorized in CBS by two different individuals for better control and any deviations are closely monitored. The activities of any personnel can be monitored centrally through an integrated system which helps in minimizing the risk of misconduct

### **Information Technology**

The Bank has maintained in-house cold site for disaster recovery. The disaster recovery site and production server site have been kept in well-maintained buildings. Periodic drill is conducted to assess the functioning of DRS. Also, the desktops are implemented with Active Directory System (ADS) which does not allow users to replicate or bring the data in/from any unauthorized removable devices.

### **Internal Audit**

Internal audit of the Bank is independent from the management and directly reports to Audit Committee, a board level committee. Audit functions are carried out by experienced staffs and regular observations are being communicated to the related departments/ branches/ staffs. Audit committee holds its meeting at least once in a quarter.

**Eligible Credit Risk Mitigants (CRM) as on Ashoj 2072 (17th Oct, 2015)**

<b>Particulars</b>	<b>Amount (Rs.)</b>
Deposits with Bank	237,043,389
Gold	281,968,247
<b>Total</b>	<b>519,011,635</b>