

## Disclosure under Basel II

### Sanima Bank Ltd

As at Mid Jan 2015 (2<sup>nd</sup> Quarter End of FY 2014/15)

#### Capital Structure and Capital Adequacy:

- **Tier 1 Capital and Breakdown of its Components**

	Particulars	Amount (Rs)
a	Paid up Equity Share Capital	2,550,240,000
b	Irredeemable Non-cumulative preference shares	-
c	Share Premium	10,563,747
d	Proposed Bonus Equity Shares	-
e	Statutory General Reserves	240,499,999
f	Retained Earnings	28,339,535
g	Un-audited current year cumulative profit	278,174,395
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>3,097,462,676</b>

- **Tier 2 Capital and Breakdown of its Components**

	Particulars	Amount (Rs)
a	Cumulative and/or Redeemable Preference Share	-
b	Subordinated Term Debt	-
c	Hybrid Capital Instruments	-
d	General loan loss provision	301,902,624
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>305,656,367</b>

- **Details of Subordinated Term Debt:**

The Bank has not issued any Subordinate Term Debt.

- **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)	3,097,462,676
Supplementary Capital (Tier 2)	305,656,367
<b>Total Capital Fund</b>	<b>3,403,119,043</b>

- **Capital Adequacy Ratio: 11.03%**

**Risk Exposures:**

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

RISK WEIGHTED EXPOSURES	Amount (Rs)
Risk Weighted Exposure for Credit Risk	28,410,865,326
Risk Weighted Exposure for Operational Risk	1,179,750,998
Risk Weighted Exposure for Market Risk	429,282,259
<b>Total Risk Weighted Exposures (Before Bank's adjustment of Pillar II)</b>	<b>30,019,898,583</b>

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

S.N.	Categories	Amount (Rs)
1	Claims on Government and Central Bank	-
2	Claims on Other Financial Entities	-
3	Claims on Banks	607,232,638
4	Claims on Domestic Corporate and Securities Firms	14,391,662,460
5	Claims on Regulatory Retail Portfolio & Other Retail Portfolio	5,352,694,040
6	Claims secured by residential properties	882,641,503
7	Claims secured by Commercial real estate	450,759,381
8	Past due claims	31,748,325
9	High Risk claims	2,830,342,036
10	Other Assets	1,349,449,861
11	Off Balance Sheet Items	2,514,335,082
<b>Total</b>		<b>28,410,865,326</b>

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

RISK WEIGHTED EXPOSURES	Amount (Rs)
Risk Weighted Exposure for Credit Risk	28,410,865,326
Risk Weighted Exposure for Operational Risk	1,179,750,998
Risk Weighted Exposure for Market Risk	429,282,259
Add: 2% of the total RWE add by Supervisory Review	600,397,972
Add: RWE equivalent to reciprocal of capital charge of 2% of Gross Income	220,200,000
<b>Total Risk Weighted Exposures (After Bank's adjustment of Pillar II)</b>	<b>30,840,496,555</b>
Total Core Capital	3,097,462,676
Total Capital	3,403,119,043

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

Particulars	Gross Amount (Rs)	Loan Loss Provision (Rs)	Net NPL (Rs)
Restructured	-	-	
Sub-Standard	6,064,974	1,516,244	4,548,731
Doubtful	2,279,067	1,139,533	1,139,533
Loss	3,043,101	3,043,101	-
<b>Total</b>	<b>11,387,142</b>	<b>5,698,878</b>	<b>5,688,264</b>

- **NPA Ratios:**

NPA Ratios	(%)
Gross NPA to Gross Advances	0.04
Net NPA to Net Advances	0.02

- **Movement in Non Performing Assets:**

Particulars	This Quarter (Rs)	Previous Quarter (Rs)	Change (%)
Non Performing Assets (Volumes)	11,387,142	11,897,813	-4.29%
Non Performing Assets (%)	0.04	0.05	-20.00%

- **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)	308,106,115	276,324,496	11.50%
Interest Suspense	53,853,758	61,029,117	-11.76%

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

Particulars	Amount (Rs)
Pass	55,858,438
Restructured	-
Sub-Standard	1,516,244
Doubtful	1,139,533
Loss	1,809,394
<b>Total</b>	<b>60,323,609</b>

- **Segregation of Investment Portfolio:**

<b>Particulars</b>	<b>Amount (Rs)</b>
Held for Trading	29,642,962
Held to Maturity	4,015,890,033
Available for sale	12,657,600
<b>Total Investment</b>	<b>4,058,190,594</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.

### **Credit Risk Management Committee (CRMC)**

Board level CRMC 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.

**Eligible Credit Risk Mitigates (CRM) as on Poush 2071 (14th Jan, 2015)**

<b>Particulars</b>	<b>Amount (Rs.)</b>
Deposits with Bank	247,325,677
Gold	230,837,272
<b>Total</b>	<b>478,162,949</b>