

## Disclosure under Basel II

### Sanima Bank Ltd

As at Mid July 2014 (4<sup>th</sup> Quarter End of FY 2013/14)

#### Capital Structure and Capital Adequacy:

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

	Particulars	Amount (Rs)
a	Paid up Equity Share Capital	2,217,600,000
b	Irredeemable Non-cumulative preference shares	-
c	Share Premium	10,563,747
d	Proposed Bonus Equity Shares	-
e	Statutory General Reserves	154,964,717
f	Retained Earnings	27,037,094
g	Un-audited current year cumulative profit	453,878,209
h	Capital Redemption Reserves	-
i	Capital Adjustment Reserves	-
j	Dividend Equalization Reserves	-
k	Debenture Redemption Reserves	-
l	Deferred Tax Reserve	851,802
m	Other Free Reserves	-
n	Less: Goodwill	-
o	Less: Fictitious Assets	-
p	Less: Investment in equity of licensed Financial Institutions	10,355,000
q	Less: Investment in equity of institutions with financial interests	-
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	790,994
	<b>Total Tier 1 Capital</b>	<b>2,853,749,575</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	206,168,184
e	Exchange Equalization Reserves	2,658,767
f	Investments Adjustment Reserves	10,355,000
g	Assets Revaluation Reserves	-
h	Other Reserves	-
	<b>Total Tier 2 Capital</b>	<b>219,181,951</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)	2,853,749,575
Supplementary Capital (Tier 2)	219,181,951
<b>Total Capital Fund</b>	<b>3,072,931,526</b>

- **Capital Adequacy Ratio: 12.55%**

**Risk Exposures:**

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

RISK WEIGHTED EXPOSURES	Amount (Rs)
Risk Weighted Exposure for Credit Risk	22,676,883,665
Risk Weighted Exposure for Operational Risk	833,090,952
Risk Weighted Exposure for Market Risk	334,302,709
<b>Total Risk Weighted Exposures</b>	<b>23,844,277,325</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	468,486,977
4	Claims on Domestic Corporate and Securities Firms	11,574,565,709
5	Claims on Regulatory Retail Portfolio & Other Retail Portfolio	4,080,899,943
6	Claims secured by residential properties	687,373,613
7	Claims secured by Commercial real estate	307,955,508
8	Past due claims	92,374,545
9	High Risk claims	2,059,145,155
10	Other Assets	1,699,423,577
11	Off Balance Sheet Items	1,706,658,636
<b>Total</b>		<b>22,676,883,665</b>

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

RISK WEIGHTED EXPOSURES	Amount (Rs)
Risk Weighted Exposure for Credit Risk (Attached annexure 1)	22,676,883,665
Risk Weighted Exposure for Operational Risk (Attached annexure 2)	833,090,952
Risk Weighted Exposure for Market Risk (Attached annexure 3)	334,302,709
Add: 2% of the total RWE add by Supervisory Review	476,885,547
Add: Additional capital charge of 2% of Gross Income	155,100,000
<b>Total Risk Weighted Exposures</b>	<b>24,476,262,872</b>
Total Core Capital	2,853,749,575
Total Capital	219,181,951

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

Particulars	Gross Amount (Rs)	Loan Loss Provision (Rs)	Net NPL (Rs)
Restructured			
Sub-Standard	613,908	153,477	460,431
Doubtful	1,427,953	713,976	713,976
Loss	1,540,994	1,540,994	
<b>Total</b>	<b>3,582,854</b>	<b>2,408,447</b>	<b>1,174,407</b>

- **NPA Ratios:**

NPA Ratios	(%)
Gross NPA to Gross Advances	0.02%
Net NPA to Net Advances	0.01%

- **Movement in Non Performing Assets:**

Particulars	This Quarter (Rs)	Previous Quarter (Rs)	Change (%)
Non Performing Assets (Volumes)	3,582,854	9,636,707	-62.82%
Non Performing Assets (%)	0.02	0.05	-99.67%

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

Particulars	Amount
Write off loans during the year	308,370.39
Write off Interest Suspense year	87,405.28
<b>Total</b>	<b>395,775.67</b>

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

Particulars	This Quarter (Rs)	Previous Quarter (Rs)	Change (%)
Loan Loss Provision	206,168,184	184,323,707	11.85%
Interest Suspense	41,353,074	41,022,361	0.81%

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

Particulars	Amount (Rs)
Pass	53,727,792
Restructured	-
Sub-Standard	153,477
Doubtful	713,976
Loss	617,232
<b>Total</b>	<b>55,212,477</b>

- **Segregation of Investment Portfolio:**

<b>Particulars</b>	<b>Amount (Rs)</b>
Held for Trading	543,421,722
Held to Maturity	3,159,170,664
Available for sale	12,910,438
<b>Total Investment</b>	<b>3,715,502,824</b>

## **Risk Management Function**

### **Restructuring of Organization**

Sanima Bank has restructured its organizational setup this very year and continuous steps are taken to reengineer the processes to cater with the various systematic and unsystematic risks.

### **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 Mitigants (CRM) as on Ashadh 2071 (16th July, 2014)**

<b>Particulars</b>	<b>Amount (Rs.)</b>
Deposits with Bank	841,950,578
Gold	157,048,218
<b>Total</b>	<b>998,998,796</b>