

Samridhi Finance Company Limited

Disclosure Under Basel II

As on end of Ashwin 2078

(NPR in '000)

1 CAPITAL		Current Period
(A) Core Capital (Tier 1)		354,971
	Paid up Equity Share Capital	545,941
	Irredeemable Non-cumulative preference shares	-
	Share Premium	11,251
	Proposed Bonus Equity Shares	-
	Statutory General Reserves	81,944
	Retained Earnings	(283,740)
	Un-audited current year cumulative profit/(loss)	(425)
	Capital Redemption Reserve	-
	Capital Adjustment Reserve	-
	Dividend Equalization Reserves	-
	Other Free Reserve	-
	Less: Goodwill	-
	Less: Deferred Tax Assets	-
	Less: Fictitious Assets	-
	Less: Investment in equity in licensed Financial Institutions	-
	Less: Investment in equity of institutions with financial interests	-
	Less: Investment in equity of institutions in excess of limits	-
	Less: Investments arising out of underwriting commitments	-
	Less: Reciprocal crossholdings	-
	Less: Purchase of land & building in excess of limit and unutilized	-
	Less: Other Deductions	-
Adjustments under Pillar II		
SRP 6.4a(1)	Less: Shortfall in Provision	-
SRP 6.4a(2)	Less: Loans & Facilities extended to related parties and restricted lending	-
(B) Supplementary Capital (Tier 2)		15,973
	Cumulative and/or Redeemable Preference Share	
	Subordinated Term Debt	
	Hybrid Capital Instruments	
	General loan loss provision	15,973
	Exchange Equalization Reserve	
	Investment Adjustment Reserve	
	Asset Revaluation Reserve	
	Other Reserves	
Total Capital Fund (Tier I and Tier II)		370,944
2 Risk Weighted Exposures under each 11 categories of Credit Risk		
A. Balance Sheet Exposures		Risk Weighted Exposures
1	Claims on Government and Central Bank	-
2	Claims on Other Official Entities	-
3	Claims on domestic banks	16,382
4	Claims on Domestic Corporates (Unrated)	8,944
5	Claims on Regulatory Retail Portfolio	711,865
6	Claims Secured by residential properties	50,897
7	Claims secured by Commercial real estate	-
8	Past due claims (except for claims secured by residential properties)	1,484
9	High Risk Claims	277,184
10	Lending Against Securities (Bonds & Shares)	102,911
11	Other Assets	
a	Investment in equity and other capital instructions of institutions	
	Listed in stock exchange	75,383
	Not listed in the stock exchange	6,103
b	Staff loan secured by residential property	7,338
12	Other Assets (as per attachment)	68,839
	TOTAL (A)	1,327,329
B. Off Balance Sheet Exposures		Risk Weighted Exposures
a	Irrevocable Credit commitments (Short term)	6,063
	TOTAL (B)	6,063
	Total RWE for credit Risk Before Adjustment (A) +(B)	1,333,393
Adjustments under Pillar II		
	SRP 6.4a(3) - Add 10% of the loans & facilities in excess of Single Obligor Limits to RWE	968
	Total RWE for Credit Risk after Bank's adjustments under Pillar II	1,334,361
3 Total Risk Weighted Exposures Calculation Table		
a	RWE for Credit Risk	1,334,361
b	RWE for Operational Risk	40,193
c	RWE for Market Risk	-
	Total RWE	1,374,554
	Total Core Capital to Risk Weighted Exposures	25.82%
	Total Capital Fund to Total Risk Weighted Exposures	26.99%

4	Non-Performing Loans			
	Category	Gross	Loan Loss Provision	Net Loan
	Restructured	-	-	-
	Sub-Standard	-	-	-
	Doubtful	2,000,000	1,000,000.00	1,000,000.00
	Loss	40,807,461	40,807,461.24	-
	Total	42,807,461	41,807,461.24	1,000,000.00
5	Non Performing Loans/Total Loans		3.14%	
6	Total Loan Loss Provision		70,913	
7	Movement in Non Performing Loans			
	Period	Amount in '000	Percentage	
	Upto This Quarter	42,807	3.31%	
	Upto Previous Quarter	45,040	5.11%	
	Reduction in Non Performing Loan	(2,233)	-1.80%	
8	Write Off of Loans and Interest Suspense during the quarter			
	Particulars	Amount in '000		
	Write Off of Loans	209		
	Write Off of Interest Suspense	-		
9	Movement in Loan Loss Provision and Interest Suspense			
	Particulars	Up to this quarter	Up to previous quarter	Change %
	Loan Loss Provision	72,001	65,716	9.56%
	Interest Suspense	92,123	90,653	1.62%
10	Details of Loan Loss Provision			
	Particulars	Up to this quarter	Up to previous quarter	Change %
	Pass	28,295	17,688	59.96%
	Watchlist	1,899	5,576	-65.94%
	Restructured	-	-	0.00%
	Sub-standard	-	500	-100.00%
	Doubtful	1,000	-	100.00%
	Loss	40,807	43,040	-5.19%
11	Segregation of Investment Portfolio			
	Held for Trading	-		
	Held for Maturity	187,620		
	Available for Sale	78,987		

12 Summary of the Finance internal approach to assess the adequacy of its capital to support current and future activities

SFCL has adopted sound risk management framework taking into account of guidelines prescribed by Internal Capital Adequacy Assessment Process (ICAAP) and Risk Management Guidelines of SFCL ensuring soundness of capital position and sustainability of the business.

Considering the requirements to promulgate policies and procedures to safeguard the assets and liability of company, SFCL Board of Directors has approved different policies which provides guidance on independent identification, measurement and management of risks across various businesses. Finance's different committees like Audit Committee, Risk Management Committee review the business and risks periodically and take account of stress test results, scenario analysis so as to align risk, return and capital in sustainable manner. Basel II disclosures have been complied with, addressing the risks and adopting measures to minimize their impact. Increasing complexities in risks, vulnerabilities of businesses and fast changing world with intense competition pose a threat to sustainability. In order to address the varieties of risk that keeps coming out of business operations, company has identified different risks and adopted different measures to minimize them. Capital planning is an integral part of the finance's medium term strategic planning and annual budget formulation process. Total risk weighted exposures for the projected level of business operations is calculated, the required capital level is projected and a plan is formulated to retain the required capital. Ever since its establishment, the company has been able to generate and retain substantial earnings in order to ensure adequate capital formation, as required for its business growth. The company is well capitalized and able to maintain the required capital through internal generation, and equally through capital markets if needed.

13 Risk Management Framework

13.1 Risk Management Committee

Risk Management Committee is a board level committee which discuss the overall risk management including performance of the finance so as to assess the solvency of the finance and necessary instructions are issued to concerned division and recommendation are made to the Board for necessary deliberation and implementation.

13.2 Internal Audit

SFCL has outsourced its Internal audit function to independent audit firm which directly reports to Audit Committee on quarterly basis.

13.3 Credit Risk Management

SFCL has its own Credit and Investment Policy in place which guides in generating business incorporating key risk analysis. The company has set up a separate Credit Risk Division, headed by the Chief Risk Officer (CRO). This division is independent to business and does not have any targets, nor have any incentive for business generation. This division oversees global, macro, micro and unit level risk that arises out of daily business operation and equally due to changes in the market conditions affecting particular business. There is separate Credit Administration Department (CAD), which prepares security documents for execution and takes custody of the document executed in presence of Relationship Officers.

13.4 Operational Risk Management

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. Effective monitoring and internal reporting is in place to make periodic assessment and reporting.

13.5 Market Risk Management

Market Risks are discussed at Asset Liability Management Committee (ALCO) of the company which performs its activities in line with the policies and procedures and suggests/recommends for necessary steps collectively to address the risk on interest rate movement and equity price changes.

Adequate care is taken to ensure the maturity of deposits to match with assets maturity and maintain sufficient liquidity. Treasury department plays the vital role for monitoring same and report to Chief Executive Officer.

13.6 Liquidity Risk Management

Monitoring of Liquidity ratios are done through daily reporting system from Finance and Treasury department to Top Level Management. Towards liquidity risk management, if additional liquidity may be required, the company has access to different sources of funding such as existing institutional deposit relationships, interbank market, and central bank funding mechanisms.