

Garima Bikas Bank Ltd

Disclosure under BASEL III

As on Poush End, 2078

A. Tier 1 Capital and Breakdown of its Components

Tier 1 Capital and Breakdown of its Components		
Core Capital (Tier 1)		5,753,116.48
a	Paid up Equity Share Capital	3,948,183.11
b	Share Premium	6,765.32
c	Proposed Bonus Equity Shares	
d	Statutory General Reserves	579,436.05
e	Retained Earnings (unaudited profit up to previous year)	912,076.82
f	Un-audited current year cumulative profit/(Loss)	462,669.98
g	Capital Redemption Reserves	
h	Capital Adjustment Reserves	
i	Dividend Equalization Reserves	
j	Other Free Reserves	15,697.18
k	Less: Goodwill	
l	Less: Intangible Assets	15,697.18
m	Less: Deferred Tax Assets	
n	Less: Investment in equity of institutions with financial interests	123,900.00
o	Less: Purchase of land & building in excess of limit and unutilized	32,114.80

B. Tier 2 Capital and Breakdown of its Components

Tier 2 Capital and Breakdown of its Components		
	Supplementary Capital (Tier 2)	1,901,823.08
a	Cumulative and/or Redeemable Preference Share	
b	Subordinated Term Debt	1,000,000.00
c	Hybrid Capital Instruments	-
d	General loan loss provision	900,323.08
e	Exchange Equalization Reserve	
f	Investment Adjustment Reserve	1,500.00
g	Asset Revaluation Reserve	
h	Other Reserves	

C. Subordinated Term Debts

Subordinated Term Debts		
a	8.75% Garima Debenture 2085	1,000,000.00

D. Deductions from Capital

Deductions from Capital	
Fictitious Assets	15,697.18
Investment in equity of institutions with financial interests	123,900.00
Purchase of land & building in excess of limit and unutilized	32,114.80

E. Total Qualifying Capital

Total Qualifying Capital		
1	Core Capital (Tier I)	5,753,116.48
2	Supplementary Capital (Tier II)	1,901,823.08
	Total Capital Fund	7,654,939.56

F. Capital Adequacy Ratio

Capital Adequacy Ratio		
1	Tier 1 Capital to Total Risk Weighted Exposures	10.40%
2	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	13.84%

G. Risk Weighted Exposures for Credit Risk, Market Risk and Operational Risk

1	Risk Weighted Exposure for Credit Risk	51,556,204
2	Risk Weighted Exposure for Operational Risk	3,204,989
3	Risk Weighted Exposure for Market Risk	221
5	Add 1% of RWE (SRP 6.4a (9))	547,614
	Total Risk Weighted Exposures	55,309,029

H. Risk Weighted Exposures under each of 11 categories of Credit Risk

No.	Particulars	Amount
1	Claims on govt. and central Bank	77290.36
2	Claims on other official entities	
3	Claims on Banks	6,117,184
4	Claims on Domestic Corporates	10,309,951
5	Claims on regulatory retail portfolio	39,471,128
6	Claim secured by residential properties	2,787,885
7	Claims secured by commercial real state	1,977,034
8	Past due Claims	574,033
9	High risk claims	3,012,344
10	Other Assets	21,308,139
11	Off Balance sheet Items	1,818,208
	Total	87,375,906

I. Total Risk Weighted Exposure Calculation Table

i. RISK WEIGHTED EXPOSURE FOR CREDIT RISK

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	-			855,792.46	0%	-
Balance With Nepal Rastra Bank	-			2,117,905.47	0%	-
Gold				-	0%	-
Investment in Nepalese Government Securities	-			4,996,775.00	0%	-
All Claims on Government of Nepal	-			33.80	0%	-
Investment in Nepal Rastra Bank securities	-			3,203,279.05	0%	-
All claims on Nepal Rastra Bank	-			77,256.56	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)				-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)			-	-	20%	-
Claims on Foreign Government and Central Bank (ECA -3)			-	-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)			-	-	100%	-
Claims on Foreign Government and Central Bank (ECA -7)			-	-	150%	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework				-	0%	-
Claims on Other Multilateral Development Banks			-	-	100%	-
Claims on Domestic Public Sector Entities			-	-	100%	-
Claims on Public Sector Entity (ECA 0-1)			-	-	20%	-
Claims on Public Sector Entity (ECA 2)			-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)			-	-	100%	-
Claims on Public Sector Entity (ECA 7)			-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	2,409,006.70		-	6,117,183.94	20%	1,223,436.79
Claims on domestic banks that do not meet capital adequacy requirements			-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)			-	-	20%	-
Claims on foreign bank (ECA Rating 2)			-	-	50%	-
Claims on foreign bank (ECA Rating 3-6)			-	-	100%	-
Claims on foreign bank (ECA Rating 7)			-	-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement			-	-	20%	-

Claims on Domestic Corporates (Credit rating score equivalent to AAA)			-	-	80%	-
Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-)			-	-	85%	-
Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-)			-	-	90%	-
Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below)			-	-	100%	-
Claims on Domestic Corporates (Unrated)	10,309,950.72		-	10,309,950.72	100%	10,309,950.72
Claims on Foreign Corporates (ECA 0-1)			-	-	20%	-
Claims on Foreign Corporates (ECA 2)			-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)			-	-	100%	-
Claims on Foreign Corporates (ECA 7)			-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	39,471,128.03		2,785,356.05	36,685,771.98	75%	27,514,328.99
Claims fulfilling all criterion of regularity retail except granularity			-	-	100%	-
Claims secured by residential properties	2,787,884.85		-	2,787,884.85	60%	1,672,730.91
Claims not fully secured by residential properties			-	-	150%	-
Claims secured by residential properties (Overdue)			-	-	100%	-
Claims secured by Commercial real estate	1,977,033.90		-	1,977,033.90	100%	1,977,033.90
Past due claims (except for claims secured by residential properties)	574,033.19	(1,890,989.98)	-	305,052.24	150%	457,578.36
High Risk claims	3,012,344.04		-	3,012,344.04	150%	4,518,516.05
Lending Against Securities (Bonds & Shares)	1,051,111.86		-	1,051,111.86	100%	1,051,111.86
Investments in equity and other capital instruments of institutions listed in stock exchange	(223,900.00)	-	-	479,387.71	100%	479,387.71
Investments in equity and other capital instruments of institutions not listed in the stock exchange	100,000.00		-	110,548.20	150%	165,822.30
Staff loan secured by residential property	-			270,926.00	50%	135,463.00
Interest Receivable/claim on government securities	-			49,520.63	0%	-
Cash in transit and other cash items in the process of collection				-	20%	-
Other Assets (as per attachment)	21,308,139.12	19,678,095.34	-	1,630,043.78	100%	1,630,043.78
TOTAL (A)	98,778,537.65	19,955,379.41	2,785,356.05	76,037,802.19		51,135,404.37

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Revocable Commitments				-	0%	-
Bills Under Collection				-	0%	-
Forward Exchange Contract Liabilities			-	-	10%	-
LC Commitments With Original Maturity Upto 6 months domestic counterparty			-	-	20%	-
Foreign counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign counterparty (ECA Rating 2)			-	-	50%	-
Foreign counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign counterparty (ECA Rating 7)			-	-	150%	-
LC Commitments With Original Maturity Over 6 months domestic counterparty			-	-	50%	-
Foreign counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign counterparty (ECA Rating 2)			-	-	50%	-
Foreign counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign counterparty (ECA Rating 7)			-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	211,609.93		-	211,609.93	40%	84,643.97
Foreign counterparty (ECA Rating 0-1)			-	-	20%	-
Foreign counterparty (ECA Rating 2)			-	-	50%	-
Foreign counterparty (ECA Rating 3-6)			-	-	100%	-
Foreign counterparty (ECA Rating 7)			-	-	150%	-
Underwriting commitments			-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral			-	-	100%	-
Repurchase Agreements, Assets sale with recourse			-	-	100%	-

Advance Payment Guarantee			-	-	100%	-
Financial Guarantee	18,545.00		-	18,545.00	100%	18,545.00
Acceptances and Endorsements			-	-	100%	-
Unpaid portion of Partly paid shares and Securities			-	-	100%	-
Irrevocable Credit commitments (short term)	1,588,053.56		-	1,588,053.56	20%	317,610.71
Irrevocable Credit commitments (long term)			-	-	50%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement				-	20%	-
Other Contingent Liabilities			-	-	100%	-
Unpaid Guarantee Claims			-	-	200%	-
TOTAL (B)	1,818,208.48	-	-	1,818,208.48		420,799.68
Total RWE for credit Risk Before Adjustment (A) +(B)	100,596,746.13	19,955,379.41	2,785,356.05	77,856,010.67		51,556,204.05

ii. RISK WEIGHTED EXPOSURE FOR OPERATIONAL RISK

S.N.	Particulars	Fiscal Year		
		2075/076	2076/077	2077/078
1	Net Interest Income	1,380,669.29	1,457,980.51	1,936,529.54
2	Commission and Discount Income	28,372.88	294,052.20	391,568.60
3	Other Operating Income	270,611.12	211,023.73	324,346.67
4	Exchange Fluctuation Income			
5	Addition/Deduction in Interest Suspense during the period	20,768.20	166,890.47	(72,834.32)
6	Gross income (a)	1,700,421.49	2,129,946.91	2,579,610.49
7	Alfa (b)	15%	15%	15%
8	Fixed Percentage of Gross Income [c=(a×b)]	255,063.22	319,492.04	386,941.57
9	Capital Requirement for operational risk (d) (average of c)	320,498.94		
10	Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10		
11	Equivalent Risk Weight Exposure [f=(d×e)]	3,204,989.44		

iii. RISK WEIGHTED EXPOSURE FOR MARKET RISK

Total Relevant Open Position (a)	442,815.90
Fixed Percentage (b)	5%
Capital Charge for Market Risk [c=(a×b)]	22,140.80
Risk Weight (reciprocal of capital requirement of 11%) in times (d)	10
Equivalent Risk Weight Exposure [e=(c×d)]	221,407.95

J. Amount of NPAs (both Gross and Net)

Gross NPA	590,410.83
Restructured/Rescheduled	-
Substandard	305,206.00
Doubtful	185,599.13
Loss	99,605.70
Net NPA	321,429.88
Restructured/Rescheduled	-
Substandard	228,630.32
Doubtful	92,799.56
Loss	-

K. NPA Ratios (%)

Gross NPA/Gross Advances	0.96%
Net NPA/Net Advances	0.53%

L. Movement of Non Performing Assets

Grade	This Quarter	Previous Quarter
Restructured/Rescheduled		
Substandard	305,205.58	513,367.59
Doubtful	185,599.13	116,517.90
Loss	99,605.70	58,992.12
Total NPA	590,410.41	688,877.61

M. Write off of Loans & Interest Suspense

Particulars	This Quarter
Write Off Interest	0
Write Off Loans	0

N. Movements in Loan Loss Provisions and Interest Suspense

Particulars	This Quarter	Previous Quarter	Changes (%)
Loan Loss Provision	1,169,304.03	1,139,228.05	2.64%
Interest Suspense	249,626.85	309,665.15	-19.39%

O. Detail of Additional Loan Loss provision**P. Segregation of Investment Portfolio into Held for Trading, Held to Maturity and available for Sale Category**

Investment Portfolio	Amount (Rs. in '000)
Held For Trading	295,332.25
Held To Maturity	8,200,054.05
Available For Sale	123,900.00
Total	8,619,286.30

Q. Summary of the Bank's internal approach to assess the adequacy of its capital to support current & future activities:

The Bank prepares long term strategic and annual plans which provide guidance on the future business prospects of the Bank. These documents establish the desired nature and size of the business portfolio at a future period. While preparing these documents, capital assessment is taken as one of the most important factors. Bank understands the various forms of risks associated with the business and the importance of capital in mitigating these risks. Hence, the present as well as future capital requirements of the Bank are thoroughly assessed to ensure that it is more than adequate to support the business needs of the Bank.

The changes in the business environment bring about changes in the risk profile of the Bank. Hence, periodic reviews are conducted to assess the impact of any such changes in the environment. Capital Adequacy Ratio is computed on a regular basis to ascertain its adequacy in terms of the associated risks. Furthermore, other quantitative and indicative tools are also studied and discussed amongst the Management and the Board. Various tools and indicators have been put into practice for analysis to support the Internal Capital Adequacy Assessment Process (ICAAP) of the Bank. Moreover, an ICAAP policy has been practiced for a systematic process of identifying, measuring, monitoring and controlling various risk aspects as to further put in place a sound capital assessment and management system.

Risk Management Function:

The Board of Directors and the management realize the importance of effective risk management and are keen towards continuous improvement in its risk management function. Risk unit has been placed independent from other business functions with direct reporting to the Risk Management Committee. The Unit is adequately manned and oversees all risk aspects including but not limited to Credit, Operational, Market and other risks. The Bank has formed a Treasury Mid Office within the Risk Department, to oversee various activities of treasury operations, market and liquidity risks. The Unit is guided by risk management frameworks and guidelines to monitor various risks in different departments. The Bank has also formulated Credit Risk Management Committee and Operation Risk Management Committee whose reports are further escalated to Risk Management Committee through Management Risk Monitoring Committee.

Besides this, the Bank has an Internal Audit Department to conduct audit & inspection of various activities of the Bank and directly reports to the Audit Committee. The Management on regular intervals studies and makes analysis to identify various inherent risks based on indicative facts, figures and statistics which is further presented and rigorously discussed in the Risk Management Committee headed by a Non-Executive member of the Board and further deliberated in the Board. The Internal Capital Adequacy Assessment Process (ICAAP) policy, a comprehensive risk/capital management document, Risk Management Guidelines and various risk frameworks act as guiding tools for the Bank to effectively manage various associated risks with the business. With the regular use of various measurement tools, risk management function has been brought and put into effective practice in the Bank.

Credit Risk:

- Bank has placed Credit Risk independent of the business generating units. Risk Management Policy, Credit Risk Management Framework, Credit Risk Strategy Paper are formulated to monitor and manage risk pertinent to credit.
- Risk Management Committee comprising of Non-Executive Directors has been enacted, which reviews various risk factors on a periodic basis. In addition to reviewing of associated risks, reports generated and discussed on Credit Risk Management Committee are escalated to Risk Management Committee through Management Risk Monitoring Committee.
- Credit Policy guides all underwriting activities, which is periodically revised to ensure that all immediate and potential risks are addressed.
- Loans and facilities are only sanctioned after the joint approval of the Risk Unit along with Business Units.
- Lending authority is transparently and clearly disseminated to the lending officials.
- Review of concentrations and identification of potential as well problematic sectors for lending are discussed at various committees such as Credit Risk Management Committee, Management Risk Monitoring Committee, Risk Management Committee (RMC), Asset Liability Management Committee (ALCO).
- Credit manuals and product papers are developed and implemented which guides the entire credit related activities.
- Investment portfolio is guided by the Investment policy of the Bank

Operation Risk:

- Bank is committed to continuous strengthening of internal controls.
- Standard Operating Procedures for all areas of Bank operations have been formulated and implemented.
- Bank has a centralized Operations unit to ensure the consistency and accuracy in processing transactions
- Bank has separate Operation, Market and Other Risk Unit headed by CRO for reviewing, identification and reporting of all the operation related issues.
- Bank has formulated and implemented a comprehensive IT policy to ensure and strengthen data and network security. IS Audit is also conducted separately.
- Bank has formulated Operation Risk Management Framework and IT Risk Management Framework to monitor the risk pertinent to Operations and IT security.
- Bank has adopted nationally acclaimed Pumori as the core banking software, which has excellent inbuilt control features. The software has been thoroughly tested and customized as per the Bank's requirements; balancing both the business requirements and its control features. Large extent of the MIS requirements has been automated and efforts are always underway for further development/enhancement.
- In order to continuously improve the capabilities of the employees, training calendars are developed and implemented based on their need assessments

Market and Liquidity Risk:

- The major sources of market risk for the bank are interest rate risk, exchange rate risk and liquidity risk.
- Bank has developed and implemented policies, guidelines and framework like Market Risk Management Framework, Liquidity Risk

Management Framework, Market Risk Management and Liquidity Contingency Plan to monitor, manage and mitigate market and liquidity risk. Bank has an Assets Liability Committee and Investment Management Committee which meets regularly to identify and manage these risks as per the laid down policies and procedures.

- Bank has an independent treasury mid office under risk department for monitoring the treasury operations and market risk.

Information Security Risk:

- Bank has a separate information security unit under Risk Department for assessing, monitoring and controlling the information security risk of the Bank.
- Bank has development and implemented IT Risk Framework, IT Security Policy and Incident Response Plan for the effective risk management of information security.