"Access to All"

गरिमा विकास बैंक लिमिटेड

Garima Bikas Bank Limited

नेपाल राष्ट्र बैंकबाट 'ख' वर्गको इजाजतपत्रप्राप्त संस्था

Disclosures under BASEL III as of Ashwin 2081

1. CAPITAL STRUCTURE AND CAPITAL ADEQUACY

i. Tier 1 capital and a breakdown of its components:

Rs. In Thousand

S.N.	Particulars	NPR
a	Paid up Equity Share Capital	5,680,517
b	Equity Share Premium	-
c	Proposed Bonus Equity Shares	-
d	Statutory General Reserves	1,493,590
e	Retained Earnings	597,496
f	Unaudited current year cumulative profit/(loss)	86,967
g	Capital Redemption Reserve	-
h	Capital Adjustment Reserve	-
i	Debenture Redemption Reserve	375,000
j	Dividend Equalization Reserves	-
K	Bargain Purchase Gain	-
l	Other Free Reserve	-
m	Less: Goodwill	(92,312)
n	Less: Intangible Assets	(4,998)
o	Less: Fictitious Assets	(45,558)
p	Less: Investment in equity in licensed Financial Institutions	-
q	Less: Investment in equity of institutions with financial interests	(123,900)
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: Purchase of land & building in excess of limit and unutilized	(32,115)
v	Less: Cash Flow Hedge	-
w	Less: Defined Benefits Pension Assets	-
x	Less: Unrecognized Defined Benefit Pension Liabilities	-
y	Less: Negative Balances of reserve accounts	(25,220)
z	Less: Other Deductions	-
	Core Capital (Tier 1)	**7,909,468**

ii.Tier 2 capital and a breakdown of its components:

Rs. In Thousand

S.N.	Particulars	NPR
a	Cumulative and/or Redeemable Preference Share	0
b	Subordinated Term Debt	996,034
c	Hybrid Capital Instruments	0
d	Stock Premium	0
e	General loan loss provision	762,378
f	Exchange Equalization Reserve	1,763
g	Investment Adjustment Reserve	0
h	Accrued Interest Receivable on pass loan included in Regulatory Reserve	135,964
i	Interest Capitalized Reserve included in Regulatory Reserve	46,914
j	Other Reserves	
	Eligible Supplementary Capital (Tier 2)	**1,943,054**

iii.Detail of Subordinated Term Debts:

Rs. In Thousand

S.N.	Particulars	Outstanding & Amount reckoned as Capital Fund
a	Subordinated Term Debt-Garima Debenture 2085-Maturity-7 years	996,034

iv.Deductions from capital:

Rs. In Thousand

S.N.	Particulars	NPR
a	Less: Goodwill	(92,311.74)
b	Less: Intangible Assets	(4,998.37)
c	Less: Fictitious Assets	(45,557.91)
d	Less: Investment in equity of institutions with financial interests	(123,900.00)
e	Less: Purchase of land & building in excess of limit and unutilized	(32,114.80)
f	Less: Negative Balances of reserve accounts	(25,219.82)
g	Less: Other Deductions	-
	Total deductions from capital	**(324,102.64)**

v.Total qualifying capital:

Rs. In Thousand

S.N.	Particulars	NPR
a	Core Capital	7,909,468
b	Supplementary Capital	1,943,054
	Total Qualifying Capital (Total Capital Fund)	**9,852,521**

vi.Capital Adequacy Ratio:

S.N.	Particulars	% of Total RWE
a	Capital Adequacy Ratio – Core Capital	11.52%
b	Capital Adequacy Ratio – Total Capital Fund	14.35%

2. RISK EXPOSURE

i. Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

Rs. In Thousand

	RISK WEIGHTED EXPOSURES	NPR
a	Risk Weighted Exposure for Credit Risk	60,990,258
b	Risk Weighted Exposure for Operational Risk	4,897,218
c	Risk Weighted Exposure for Market Risk	44,204
	Total Risk Weighted Exposures (Before adjustments of Pillar II)	**65,931,680**
d.	ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	0
e.	Add .....% of the total deposit due to insufficient Liquid Assets	0
f.	Add RWE equvalent to reciprocal of capital charge of 2% of gross income	725,342
g.	If overall risk management policies and precedures are not satisfactory. Add 2% of RWE	1,318,634
h.	If desired level of disclosure requirement has not been achieved, Add-1% of RWE	659,317
	Total Risk Weighted Exposures (a+b+c+d)	**68,634,973**

ii. Risk Weighted Exposures under each of 17 categories of Credit Risk

Rs. In Thousand

S.N.	Particulars	Risk Weighted Amount(NPR)
1	Claims on Government and central Bank	-
2	Claims on other financial entities	-
3	Claims on Banks	1,515,406
4	Claims on corporate and securities firm	9,591,751
5	Claims on regulatory retail portfolio	21,807,368
6	Claim secured by residential properties	8,192,669
7	Claims secured by commercial real state	3,766,532
8	Past due Claims	4,248,667
9	High risk claims	4,960,900
10	Lending against Shares(above Rs.5 Million)	2,851,189
11	Lending against Shares(upto Rs.5 Million)	287,827
12	Personal Hirepurchase/Personal Auto Loans	1,063,877
13	Investments in equity and other capital instruments of institutions listed in stock exchange	516,812
14	Investments in equity and other capital instruments of institutions not listed in the stock exchange	40,900
15	Staff loan secured by residential property	277,087
16	Other Assets (as per attachment)	1,470,366
17	Off Balance sheet Items	398,908
	Total	**60,990,258**

iii. Total Risk Weighted Exposure calculation table:

Rs. In Thousand

	RISK WEIGHTED EXPOSURES	NPR
a.	Risk Weighted Exposure for Credit Risk	60,990,258
b.	Risk Weighted Exposure for Operational Risk	4,897,218
c.	Risk Weighted Exposure for Market Risk	44,204
d.	ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	0
e.	Add .....% of the total deposit due to insufficient Liquid Assets	0
f.	Add RWE equvalent to reciprocal of capital charge of 2% of gross income	725,342
g.	If overall risk management policies and precedures are not satisfactory. Add 2% of RWE	1,318,634
h.	If desired level of disclosure requirement has not been achieved, Add-1% of RWE	659,317
	Total Risk Weighted Exposures (a+b+c+d)	**68,634,973**
	Total Capital Fund	**9,852,521**
	Total Capital Fund To Total Risk Weighted Exposures	**14.35%**

iv. Amount of Non Performing Assets (NPAs) [both Gross and Net]:

Rs. In Thousand

S.N.	Particulars	Gross(Loan)	Loan Loss Provision	Net
a	Restructure Loan/Reschedule Loan	-	-	-
b	Substandard Loan	1,173,544	293,386	880,158
c	Doubtful Loan	802,942	401,471	401,471
d	Loss Loan	843,036	843,036	-
	Total	**2,819,522**	**1,537,893**	**1,281,629**

v. Non Performing Assets (NPAs) ratios:

S.N.	Particulars	NPA Ratios
a	Gross NPA To Gross Advances	3.82%
b	Net NPA to net Advances	1.80%

vi. Movement of Non Performing Assets:

Rs. In Thousand

S.N.	Particulars	This Year(As on Ashwin 2081)	Previous Quater (As on Ashad 2081)	Movements(NPR)
a	Restructure Loan/Reschedule Loan	-	-	-
b	Substandard Loan	1,173,544	451,613	721,931
c	Doubtful Loan	802,942	889,617	(86,675)
d	Loss Loan	843,036	717,231	125,805
	Total	**2,819,522**	**2,058,461**	**761,061**

vii. Write off of Loan and Interest Suspenses:

Rs. In Thousand

S.N.	Particulars	NPR
a	Write off of Loan and Advance	-
b	Write off of Interest Suspenses	-

viii. Movements in Loan Loss Provisions and Interest Suspense:

Rs. In Thousand

S.N.	Description	This Year(As on Ashwin 2081)	Previous Quater (As on Ashad 2081)	Movements(NPR)	Movements(%)
a	Loan Loss Provision	2,724,767	2,352,629	372,139	15.82%
b	Interest Suspense	1,083,588	731,514	352,074	48.13%

ix. Details of Additional Loan Loss Provision: **NIL**

x. Segregation of investment portfolio:

Investments are segregated as per NRB Directive:

Rs. In Thousand

S.N.	Particulars	NPR
1	**Investment securities designated at FVTPL**	-
2	**Investment securities measured at amortized cost**	14,167,391.63
3	**Investment in equity measured at FVTOCI**	706,422.70

xi. Summary of the bank’s internal approach to assess the adequacy of its capital to support current and future activities:

Garima Bikas Bank Ltd has developed Risk Appetite & Tolerance framework and Risk Management Guideline, guided by ICAAP and other policies which demonstrates a proactive approach to ensure financial stability. This framework not only aligns with regulatory expectations but also fosters a culture of risk awareness and sound decision-making within the organization.Bank's prioritizes a risk-weighted balance sheet over a nominal balance sheet, enabling a clearer assessment of its actual risk exposure by assigning different weights to assets based on their credit risk. This enhances the bank's ability to allocate capital efficiently, comply with regulatory requirements, and make informed strategic decisions. Additionally, the bank engages in monitoring of its risk through Operation,Liquidity & market risk policy and proactively implements measures to mitigate identified risks, ensuring financial stability and resilience in a dynamic market environment.

The bank’s policies and procedures are approved by the Board of Directors and these documents provide guidance on independent identification, measurement and management of risks across various businesses. Bank’s different committees like Audit Committee, Risk Management Committee , Assets Liability Committee meeting reviews 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.

xii. Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments.

The Bank has issued Garima Debenture 2085 with an issue size of NPR 1 billion maturing in 7 years.

3 RISK MANAGEMENT FRAMEWORK

Bank has set clear separation between businesses function and risk management function. Accordingly, the Bank has set up a separate Risk Management Department. The department oversees the risk that arise out of daily business operation as well as on periodic basis and are put to the oversight of Top Management, Risk Management Committee and the Board to discuss the reports thereon and issue instructions as appropriate.

Pursuant to the NRB directive on corporate governance, the Bank has established Risk Management Committee with well-defined terms of reference in line the NRB directive. The committee supervises overall risk management of the Bank broadly classified as liquidity risk, market risk, operational risk and credit risk.Bank has prepared and implemented policies and procedures to mitigate the risk at enterprises level arising to the bank and has inculcated risk culture among the employees by establishing ownership mentality, capacity building programs, well defined job responsibilities and inhabiting good ethical culture. Through its Risk Management Framework, the Bank seeks to efficiently manage credit, market and liquidity risks which arise directly through the Bank’s commercial activities as well as operational, regulatory and reputational risks which arise as a normal consequence of any business undertaking.

The Assets and Liabilities Committee is responsible for the management of capital and establishment of, and compliance with, policies relating to balance sheet management, including management of liquidity, capital adequacy and structural foreign exchange and interest rate exposure.

The effectiveness of the Company's internal control system is reviewed regularly by the Board, its Committees, Management and Internal Auditors. The Internal Audit monitors compliance with policies/standards and the effectiveness of internal control structures across the Bank through regular audit, special audit, information system audit, Off Site review. The audit observations are reported to the Management for initiating immediate corrective measures. Internal Audit reports are periodically forwarded to the Audit Committee for review and the Committee issues appropriate corrective action in accordance with the issue involved to the management.

1.Credit Risk

Credit risk is the probability of loss of principle and reward associated with it due to failure of counterparty to meet its contractual obligations to pay the Bank in accordance with agreed terms.

Risk Managemnt Guideline have been prepared in order to mitigate/ minimize the credit risk of the Bank through appropriate monitoring and reporting framework established within the Bank.Bank has implemented various System/ Policies/ Procedures/ Guidelines for the effective management of Credit Risk. For the purpose of assessment of credit risk of the bank, following activities were carried out:

a.Current system/policies/procedures/ guidelines formulated were gone through;

b.Actual Exposure of credit limit product wise, segment wise were checked periodically;

c.Review of various reports prepared by the Departments such as Loan Utilization Report, Loan Overdue Report,Loan Report, and NRB reports.

Credit Risk Management is ultimately the responsibility of the Board of Directors. Hence Overall strategy as well as significant policies has to be reviewed by the board regularly. Further, Top Management is responsible for implementing the bank's credit risk management strategies and policies and ensuring that procedures are put in place to manage and control credit risk and the quality of credit portfolio in accordance with these policies.

2.Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

Risk Management committe is responsible to monitor bank's exposure to market risk & provide necesssary steps/ advise after stress test is conducted.As for the monitoring of market and liquidity risk, Bank has an active Assets and Liability Management Committee (ALCO) in place which meets regularly and takes stock of the Bank’s assets and liability position and profile of assets & liabilities, monitors risks arising from changes in exchange rates in foreign currencies. All foreign exchange positions are managed by treasury department & prepare report for information to risk management department. Bank's ALCO /risk management Committee review Liquidity/Interest rate GAP, Spread rate & stress test report on quarterly basis.

3.Operational Risk

Operational risk occurs due to external as well as the internal environment. First step is to clearly identify the risk events, after which appropriate combination of qualitative or quantitative techniques are used to evaluate the magnitude of the consequences due to the occurrence of such events. Key risk indicators and audit findings are mostly used to assess operational risk of the Bank.

As a part of monitoring operational risks, the Bank has devised operational manuals,policy for various Banking functions, which are reviewed and modified time to time as per the changing business context. The Bank has adopted dual control mechanism in its all operational activities where each and every financial and non-financial transaction is subject to approval from an authority higher than the transaction initiator. Regular review meetings are conducted to assess the adequacy of risk monitoring mechanism and required changes are made as and when felt necessary.The Bank has strong MIS portal in place to monitor the regular operational activities.

4.Liquidity Risk

Liquidity risk is chances of failure of a bank to meet obligations as they become due.Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. To minimize this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding as required.

Bank's Asset Liability Management Committee (ALCO) with inputs from Risk Management Committee (RMC) as appropriate shall take decisions regarding techniques of measurement of above risks from time to time. Through the process of Balance sheet forecasting or Capital Planning or Stress testing, any additional risks other than mentioned above is observed, such risks shall be duly identified, materiality assessed and quantified for due inclusion in Risk weighted exposures under appropriate heads. Currently the Bank is maintaining extra caution of capital above regulatory requirement which is expected to cover/mitigate the above-mentioned residual risk.