

Disclosures under Basel II - Ashwin 2066

A. Capital Structure & Capital Adequacy as per Basel II

1. Tier 1 Capital and Breakdown of its Components :

Figures in NPR

SN	Particulars	Amount
A	Core Capital (Tier 1)	1,803,906,638
1	Paid Up Capital	844,397,900
2	Irredeemable Non-cumulative preference shares	-
3	Share Premium	-
4	Proposed Bonus Equity Shares	337,759,200
5	General Reserve Fund	362,428,777
6	Retained Earnings	34,687,869
7	Un-audited current year cumulative profit	120,318,515
8	Capital Adjustment Reserve	-
9	Other Free Reserve	164,075
10	Bond Redemption Reserve	108,023,484
11	Deferred Tax Reserve	8,199,418
12	Less: Investment arising out of Underwriting Commitment	(12,072,600)

2. Tier 2 Capital and Breakdown of its Components

Figures in NPR

SN	Particulars	Amount
B	Supplementary Capital (Tier 2)	313,471,373
1	Cumulative and/or Redeemable Preference Share	-
2	Unsecured Subordinated Term Debt	200,000,000
3	Less: discounted for lesser tenure	(81,315,068)
4	Hybrid Capital Instruments	-
5	General Loan Loss Provision	148,857,001
6	Exchange Fluctuation Reserve	25,929,440
7	Investment Adjustment Reserve	-
8	Assets Revaluation Reserve	-
10	Other Reserves	20,000,000

3. Detail information about the Subordinated Term Debts with information on the outstanding amount, maturity, amount raised during the year and amount eligible to be reckoned as capital funds:

Bond floated as	: Bank of Kathmandu Bond 2069 (BOK Bond)
Outstanding amount	: NPR 200,000,000
Amount raised during the year	: NIL
Maturity Date	: Ashwin 18, 2069 (October 04, 2012)
Amount to be reckoned as capital	: NPR 118,684,932 **

** The eligible bond amount allotted for capital has been calculated on pro rata basis.

The bank places NPR 28,571,429 annually on BOK Bond redemption reserve.

4. Total deductions from Capital

Figures in NPR

SN	Particulars	Amount
1	From Core Capital Investment arising out of Underwriting Commitment	12,072,600
2	From Supplementary Capital Discounted for lesser tenure on unsecured subordinated term debt	81,315,068
	TOTAL	93,387,668

5. **Total Qualifying Capital**

Figures in NPR

SN	Particulars	Amount
1	Core Capital (Tier 1)	1,803,906,638
2	Supplementary Capital (Tier 2)	313,471,373
	TOTAL	2,117,378,011

6. **Capital Adequacy Ratio: 11.40%**

B. Risk Exposures

1. **Risk Weighted Exposures for Credit Risk, Market Risk & Operational Risks**

Figures in NPR

RISK WEIGHTED EXPOSURES		Amount
a	Risk Weighted Exposure for Credit Risk	17,144,892,636
b	Risk Weighted Exposure for Operational Risk	1,329,330,931
c	Risk Weighted Exposure for Market Risk	92,313,224
Total Risk Weighted Exposures (a+b+c)		18,566,536,791

2. **Risk Weighted Exposures under each of 11 categories of Credit Risk**

Figures in NPR

SN	Particulars	Amount
1	Claims on government & central bank	-
2	Claims on other official entities	385,653,664
3	Claims on banks	740,178,418
4	Claims on domestic corporate and securities firms	8,235,618,666
5	Claims on regulatory retail portfolio	3,020,241,868
6	Claims secured by residential properties	926,531,940
7	Claims secured by commercial real estate	515,884,460
8	Past due claims	81,181,530
9	High risk claims	23,818,908
10	Other assets	906,886,323
11	Off balance sheet items	2,308,896,859
	TOTAL	17,144,892,636

3. **Total Risk Weighted Exposures calculation table**

Figures in NPR

SN	Particulars	Amount
1	Total Risk Weighted Exposure	18,566,536,791
2	Total Core Capital Fund (Tier 1)	1,803,906,638
3	Total Capital Fund (Tier 1 & Tier 2)	2,117,378,011
4	Total Core Capital to Total Risk Weighted Exposures	9.72%
5	Total Capital to Total Risk Weighted Exposures	11.40%

4. Amount of NPAs

Figures in NPR

SN	Loan Classification	Gross Amount	Provision Held	Net Amount
1	Restructured/ Rescheduled Loan	6,168,880	771,110	5,397,770
2	Substandard Loan	50,851,419	12,712,855	38,138,564
3	Doubtful Loan	18,062,850	9,031,425	9,031,425
4	Bad Loan	135,699,606	132,477,323	3,222,283
	TOTAL	210,782,755	154,992,713	55,790,042

5. NPA Ratios

Gross NPA to Gross Advances	1.39%
Net NPA to Net Advances	0.38%

** Restructured/Rescheduled have been treated as non-performing loans.

6. Movement of Non-Performing Assets (Asadh 2066 vs Ashwin 2066)

Figures in NPR

SN	Non Performing Loan	Opening Balance	Increment during the year	Reduction during the year	Closing Balance
1	Restructured/Rescheduled Loan	8,579,067	-	2,410,187	6,168,880
2	Sub-Standard Loan	36,910,890	13,940,529	-	50,851,419
3	Doubtful Loan	21,086,008	-	3,023,158	18,062,850
4	Bad Loan	132,318,759	3,380,847	-	135,699,606
	Total	198,894,724	17,321,376	5,433,345	210,782,755

7. Write Off of Loans & Interest Suspense (Asadh 2066 vs Ashwin 2066)

Figures in NPR

SN	Name	Principle	Interest	Total
	-	-	-	-
	Total	-	-	-

8. Movement in Loan Loss Provision & Interest Suspense

i. Movement in Loan Loss Provision (Asadh 2066 vs Ashwin 2066)

Figures in NPR

SN	Loan Loss Provision	Opening Balance	Increment during the year	Reduction during the year	Closing Balance
1	Pass Loan	147,191,664	1,665,337	-	148,857,001
2	Restructured/Rescheduled Loan	1,072,383	-	301,273	771,110
3	Sub-Standard Loan	9,227,723	3,485,131	-	12,712,854
4	Doubtful Loan	10,543,004	-	1,511,579	9,031,425
5	Bad Loan	130,388,003	2,089,320	-	132,477,323
	Total	298,422,777	7,239,788	1,812,852	303,849,713

ii. Movement in Interest Suspense (Asadh 2065 vs Ashwin 2066)

Figures in NPR

Particulars	Opening Balance	Increment during the year	Reduction during the year	Closing Balance
Interest Suspense	11,866,987	8,977,302	3,450,156	17,394,133

9. Types of eligible Credit Risk Mitigants (CRM) used and the benefits availed under CRM

SN	Particulars	Amount in NPR
1	Deposits with Bank	559,627,716
2	Deposits with other Banks/Financial institutions	612,877
3	Govt. & NRB Securities	79,761,825
4	Guarantee of Foreign Banks	1,358,651,658
	TOTAL	1,998,654,076

10. Summary of the bank's internal approach to assess the adequacy of its capital to support current & future activities

- Preparation of annual budget for risk weighted assets vis-à-vis capital fund
- Monitoring of risk weighted assets and capital fund at the periodic interval
- Preparing prospective drawdown and repayment plan of loans and advances
- Revision of asset deployment strategy as per the requirement
- Reporting of capital adequacy ratios on a periodic basis to Nepal Rastra Bank (NRB)

The bank prepares annual budget plan for risk weighted assets and monitor the actual against the budget in detail with a close watch on prospective drawdown and repayment plans to track the movement in loan portfolio. Moreover, changes in business environment are monitored for strategy planning and revision in order to mitigate anticipated adverse impact on its risk assets portfolio. Capital adequacy ratios are computed on a periodic basis to ascertain the qualifying capital fund is adequate for coverage of the bank's risk assets.

Furthermore, long term capital plans are also prepared to support the bank's future activities. The capital plan is reviewed to ensure that the financial result attained is in line with the capital plan devised. Based on the actual figures, if the bank feels that the figures could deviate significantly, the bank revises its long term plan.

The bank continuously monitors its Credit Deposit ratio in order to assess sources of funds and deployment of funds.

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

The bank has issued "Bank of Kathmandu Bond, 2069" (BOK Bond) amounting to NPR 200 million as Subordinated Term Debt in Ashwin 2062. Bank has not pledged any securities while issuing BOK bond. The bond has the following features:

- Bond Validity Period : 7 year
- Bond Maturity Date : Ashwin 18, 2069 (October 04, 2012)
- Coupon Interest Rate : 6% p.a.
- Interest Payment Period : Bi-annually (in every six months of Nepali Calendar)
- Interest Payment Timing : Interest is paid on the 1st day of Magh and Shrawan.
- BOK bond can be pledged with other banks and financial institutions to avail loan facility.
- BOK bond is listed with Nepal Stock Exchange Ltd.
- BOK Bond holders will have rights of claim only after the depositors in case of liquidation.