

## Disclosures under Basel II – Chaitra 2066

### A. Capital Structure & Capital Adequacy as per Basel II

#### 1. Tier 1 Capital and Breakdown of its Components :

<i>Figures in NPR</i>		
SN	Particulars	Amount
<b>A</b>	<b>Core Capital (Tier 1)</b>	<b>2,057,952,941</b>
1	Paid Up Capital	1,182,157,100
2	Irredeemable Non-cumulative preference shares	-
3	Share Premium	-
4	Proposed Bonus Equity Shares	-
5	General Reserve Fund	362,428,777
6	Retained Earnings	34,687,872
7	Un-audited current year cumulative profit	374,364,815
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

<i>Figures in NPR</i>		
SN	Particulars	Amount
<b>B</b>	<b>Supplementary Capital (Tier 2)</b>	<b>311,737,615</b>
1	Cumulative and/or Redeemable Preference Share	-
2	Unsecured Subordinated Term Debt	200,000,000
3	Less: discounted for lesser tenure	(100,821,918)
4	Hybrid Capital Instruments	-
5	General Loan Loss Provision	166,630,093
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 99,178,082**

\*\* 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

<i>Figures in NPR</i>		
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	100,821,918
	<b>TOTAL</b>	<b>112,894,518</b>

5. **Total Qualifying Capital**

*Figures in NPR*

SN	Particulars	Amount
1	Core Capital (Tier 1)	2,057,952,941
2	Supplementary Capital (Tier 2)	311,737,615
	<b>TOTAL</b>	<b>2,369,690,556</b>

6. **Capital Adequacy Ratio: 11.30%**

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	19,547,459,042
b	Risk Weighted Exposure for Operational Risk	1,326,763,975
c	Risk Weighted Exposure for Market Risk	103,127,317
<b>Total Risk Weighted Exposures (a+b+c)</b>		<b>20,977,350,334</b>

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	609,455,727
3	Claims on banks	466,736,912
4	Claims on domestic corporate and securities firms	8,662,075,575
5	Claims on regulatory retail portfolio	2,855,369,519
6	Claims secured by residential properties	952,672,287
7	Claims secured by commercial real estate	1,682,001,139
8	Past due claims	94,647,540
9	High risk claims	347,486,170
10	Other assets	855,614,864
11	Off balance sheet items	3,021,399,309
	<b>TOTAL</b>	<b>19,547,459,042</b>

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

*Figures in NPR*

SN	Particulars	Amount
1	Total Risk Weighted Exposure	20,977,350,334
2	Total Core Capital Fund (Tier 1)	2,057,952,941
3	Total Capital Fund (Tier 1 & Tier 2)	2,369,690,556
4	Total Core Capital to Total Risk Weighted Exposures	9.81%
5	Total Capital to Total Risk Weighted Exposures	11.30%

4. Amount of NPAs

*Figures in NPR*

SN	Loan Classification	Gross Amount	Provision Held	Net Amount
1	Restructured/ Rescheduled Loan	2,575,270	321,909	2,253,361
2	Substandard Loan	46,855,490	11,713,872	35,141,618
3	Doubtful Loan	45,429,093	22,714,547	22,714,546
4	Bad Loan	147,525,842	144,046,661	3,479,181
	<b>TOTAL</b>	<b>242,385,695</b>	<b>178,796,989</b>	<b>63,588,706</b>

5. NPA Ratios

Gross NPA to Gross Advances	1.43%
Net NPA to Net Advances	0.38%

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

6. Movement of Non-Performing Assets (Poush 2066 vs Chaitra 2066)

*Figures in NPR*

SN	Non Performing Loan	Opening Balance	Increment during the period	Reduction during the period	Closing Balance
1	Restructured/Rescheduled Loan	6,006,157	-	3,430,887	2,575,270
2	Sub-Standard Loan	39,001,093	7,854,397	-	46,855,490
3	Doubtful Loan	32,565,730	12,863,363	-	45,429,093
4	Bad Loan	138,159,857	9,365,985	-	147,525,842
	<b>Total</b>	<b>215,732,837</b>	<b>30,083,745</b>	<b>3,430,887</b>	<b>242,385,695</b>

7. Write Off of Loans & Interest Suspense (Poush 2066 vs Chaitra 2066)

*Figures in NPR*

SN	Name	Principle	Interest	Total
	-	-	-	-
	<b>Total</b>	-	-	-

8. Movement in Loan Loss Provision & Interest Suspense

i. Movement in Loan Loss Provision (Poush 2066 vs Chaitra 2066)

*Figures in NPR*

SN	Loan Loss Provision	Opening Balance	Increment during the period	Reduction during the period	Closing Balance
1	Pass Loan	172,615,201	-	5,985,108	166,630,093
2	Restructured/Rescheduled Loan	750,770	-	428,861	321,909
3	Sub-Standard Loan	9,750,272	1,963,601	-	11,713,873
4	Doubtful Loan	16,282,865	6,431,681	-	22,714,546
5	Bad Loan	134,930,288	9,116,373	-	144,046,661
	<b>Total</b>	<b>334,329,396</b>	<b>17,511,655</b>	<b>6,413,969</b>	<b>345,427,082</b>

ii. Movement in Interest Suspense (Poush 2066 vs Chaitra 2066)

Figures in NPR

Particulars	Opening Balance	Increment during the period	Reduction during the period	Closing Balance
Interest Suspense	14,074,705	8,394,717	4,846,430	17,622,992

9. Details of Additional Loan Loss Provisions (Asadh 2066 vs Chaitra 2066)

SN	Loan Classification	Balance as on Asadh 2066	Balance as on Chaitra 2066	Increment/decrease during the year
1	Pass Loan	147,191,664	166,630,093	19,438,429
2	Restructured/Rescheduled Loan	1,072,383	321,909	(750,474)
3	Sub-Standard Loan	9,227,723	11,713,873	2,486,150
4	Doubtful Loan	10,543,004	22,714,546	12,171,542
5	Bad Loan	130,388,003	144,046,661	13,658,658
		<b>298,422,777</b>	<b>345,427,082</b>	<b>47,004,305</b>

10. Segregation of Investment Portfolio

SN	Investment Category	Amount as on Chaitra end 2066
1	Held for Trading	-
2	Held to Maturity	2,049,794,588
3	Available for Sale	32,789,000
		<b>2,082,583,588</b>

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

SN	Particulars	Amount in NPR
1	Deposits with Bank	421,641,112
2	Deposits with other Banks/Financial institutions	1,381,360
3	Govt. & NRB Securities	50,926,197
4	Guarantee of Foreign Banks	1,523,538,625
	<b>TOTAL</b>	<b>1,997,487,294</b>

12. 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.

**13. 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 1<sup>st</sup> 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