

Disclosures under Basel II - Ashwin 2067

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)	2,186,260,294
1	Paid Up Capital	1,182,157,100
2	Irredeemable Non-cumulative preference shares	-
3	Share Premium	-
4	Proposed Bonus Shares	177,323,600
5	General Reserve Fund	464,281,405
6	Retained Earnings	52,806,795
7	Un-audited current year cumulative profit	165,167,667
8	Capital Redemption Reserve	-
9	Capital Adjustment Reserve	-
10	Dividend Equalization Reserves	-
11	Bond Redemption Reserve	136,594,913
12	Deferred Tax Reserve	7,764,739
13	Other Free Reserve	164,075
14	Deductions	-

2. Tier 2 Capital and Breakdown of its Components

Figures in NPR

SN	Particulars	Amount
B	Supplementary Capital (Tier 2)	305,415,051
1	Cumulative and/or Redeemable Preference Share	-
2	Unsecured Subordinated Term Debt	200,000,000
3	Less: discounted for lesser tenure	(121,315,069)
4	Hybrid Capital Instruments	-
5	General Loan Loss Provision	174,293,008
6	Exchange Fluctuation Reserve	31,974,010
7	Investment Adjustment Reserve	463,102
8	Assets Revaluation Reserve	-
9	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 78,684,931 **

** 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 Supplementary Capital	121,315,069
	Discounted for lesser tenure on unsecured subordinated term debt	
	TOTAL	121,315,069

5. **Total Qualifying Capital**

Figures in NPR

SN	Particulars	Amount
1	Core Capital (Tier 1)	2,186,260,294
2	Supplementary Capital (Tier 2)	305,415,051
	TOTAL	2,491,675,345

6. **Capital Adequacy Ratio: 10.81%**

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	21,313,326,901
b	Risk Weighted Exposure for Operational Risk	1,660,771,213
c	Risk Weighted Exposure for Market Risk	79,620,465
Total Risk Weighted Exposures (a+b+c)		23,053,718,579

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	730,154,969
3	Claims on banks	313,543,382
4	Claims on domestic corporate and securities firms	9,302,211,024
5	Claims on regulatory retail portfolio	2,380,062,973
6	Claims secured by residential properties	892,970,891
7	Claims secured by commercial real estate	1,760,570,479
8	Past due claims	141,849,543
9	High risk claims	665,400,480
10	Other assets	778,007,072
11	Off balance sheet items	4,348,556,088
	TOTAL	21,313,326,901

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

Figures in NPR

SN	Particulars	Amount
1	Total Risk Weighted Exposure	23,053,718,579
2	Total Core Capital Fund (Tier 1)	2,186,260,294
3	Total Capital Fund (Tier 1 & Tier 2)	2,491,675,345
4	Total Core Capital to Total Risk Weighted Exposures	9.48%
5	Total Capital to Total Risk Weighted Exposures	10.81%

4. **Amount of NPAs**

Figures in NPR

SN	Loan Classification	Gross Amount	Provision Held	Net Amount
1	Restructured/ Rescheduled Loan	40,392,338	5,049,042	35,343,296
2	Substandard Loan	37,838,788	9,459,697	28,379,091
3	Doubtful Loan	73,731,432	36,865,716	36,865,716
4	Bad Loan	165,936,375	165,936,375	0
	TOTAL	317,898,933	217,310,830	100,588,103

5. **NPA Ratios**

Gross NPA to Gross Advances	1.84%
Net NPA to Net Advances	0.60%

6. **Movement of Non-Performing Assets (Asadh 2067 vs Ashwin 2067)**

Figures in NPR

SN	Non Performing Loan	Opening Balance	Increment during the year	Reduction during the year	Closing Balance
1	Restructured/Rescheduled Loan	2,306,238	48,258,872	10,172,773	40,392,338
2	Sub-Standard Loan	11,461,259	27,011,228	633,699	37,838,788
3	Doubtful Loan	70,846,386	3,171,709	286,663	73,731,432
4	Bad Loan	174,909,705	2,918,065	11,891,395	165,936,375
	Total	259,523,588	81,359,874	22,984,530	317,898,933

7. **Write Off of Loans & Interest Suspense (Asadh 2067 vs Ashwin 2067)**

Figures in NPR

SN	Name	Principal	Interest	Total
	-	-	-	-
	Total	-	-	-

8. **Movement in Loan Loss Provision & Interest Suspense**

i. **Movement in Loan Loss Provision (Asadh 2067 vs Ashwin 2067)**

Figures in NPR

SN	Loan Loss Provision	Opening Balance	Increment during the year	Reduction during the year	Closing Balance
1	Pass Loan	167,666,914	33,720,592	32,094,498	174,293,008
2	Restructured/Rescheduled Loan	288,280	4,782,359	21,597	5,049,042
3	Sub-Standard Loan	2,865,315	8,225,386	1,631,004	9,459,697
4	Doubtful Loan	35,423,193	2,173,333	730,810	36,865,716
5	Bad Loan	173,124,841	4,913,400	12,101,866	165,936,375
	Total	379,368,543	53,815,070	46,579,775	391,603,838

ii. **Movement in Interest Suspense (Asadh 2067 vs Ashwin 2067)**

Figures in NPR

Particulars	Opening Balance	Increment during the year	Reduction during the year	Closing Balance
Interest Suspense	13,264,542	11,138,588	9,081,210	15,321,920

9. **Details of Additional Loan Loss Provisions**

Additional Loan Loss Provision of NPR 5,000,000 has been booked in the quarter ending Ashwin 2067.

10. **Segregation of Investment Portfolio**

SN	Investment Category	Amount as on Ashwin end 2067
1	Held for Trading	-
2	Held to Maturity	3,153,123,825
3	Available for Sale	23,155,100
		3,176,278,925

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

SN	Particulars	Amount in NPR
1	Deposits with Bank	531,147,441
2	Deposits with other Banks/Financial institutions	-
3	Govt. & NRB Securities	25,108,872
4	Guarantee of Foreign Banks	1,374,682,925
	TOTAL	1,930,939,238

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 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