

Disclosures under Basel II - Ashwin 2068

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)	2,512,376,589
1	Paid Up Capital	1,359,480,700
2	Irredeemable Non-cumulative preference shares	-
3	Share Premium	-
4	Proposed Bonus Shares	244,706,600
5	General Reserve Fund	585,311,890
6	Retained Earnings	13,365,464
7	Un-audited current year cumulative profit	134,647,561
8	Capital Redemption Reserve	-
9	Capital Adjustment Reserve	-
10	Dividend Equalization Reserves	-
11	Bond Redemption Reserve	165,166,342
12	Deferred Tax Reserve	9,533,957
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)	284,431,508
1	Cumulative and/or Redeemable Preference Share	-
2	Unsecured Subordinated Term Debt	200,000,000
3	Less: discounted for lesser tenure	(161,315,068)
4	Hybrid Capital Instruments	-
5	General Loan Loss Provision	188,286,748
6	Exchange Fluctuation Reserve	36,996,727
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 38,684,932**

** 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 Supplementary Capital Discounted for lesser tenure on unsecured subordinated term debt	161,315,068.49
	TOTAL	161,315,068.49

5. **Total Qualifying Capital**

Figures in NPR

SN	Particulars	Amount
1	Core Capital (Tier 1)	2,512,376,589
2	Supplementary Capital (Tier 2)	284,431,508
	TOTAL	2,796,808,097

6. **Capital Adequacy Ratio:** 12.01%

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	21,209,150,281
b	Risk Weighted Exposure for Operational Risk	1,995,076,781
c	Risk Weighted Exposure for Market Risk	91,257,889
Total Risk Weighted Exposures (a+b+c)		23,295,484,951

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	237,840,950
3	Claims on banks	249,579,599
4	Claims on domestic corporate and securities firms	11,025,015,392
5	Claims on regulatory retail portfolio	2,412,240,861
6	Claims secured by residential properties	835,846,416
7	Claims secured by commercial real estate	1,478,321,775
8	Past due claims	56,741,224
9	High risk claims	577,526,103
10	Other assets	853,198,596
11	Off balance sheet items	3,482,839,365
	Add: Add: 10% of the loans & facilities in excess of Single Obligor Limits	-
	TOTAL	21,209,150,281

3. Total Risk Weighted Exposures calculation table

A. Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e
Cash Balance	534,571,737	-	-	534,571,737	0%	-
Balance With Nepal Rastra Bank	627,221,024	-	-	627,221,024	0%	-
Gold	-	-	-	-	0%	-
Investment in Nepalese Government Securities	4,769,293,721	-	-	4,769,293,721	0%	-
All Claims on Government of Nepal	268,527,827	-	-	268,527,827	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	-	-	-	-	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 on Multilateral Development Banks (MDB's) recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	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)	158,560,634	-	-	158,560,634	150%	237,840,950
Claims on domestic banks that meet capital adequacy requirements	84,241,285	-	-	84,241,285	20%	16,848,257
Claims on domestic banks that do not meet capital adequacy requirements	64,359,122	-	-	64,359,122	100%	64,359,122
Claims on foreign bank (ECA Rating 0-1)	619,420,357	-	-	619,420,357	20%	123,884,071

Claims on foreign bank (ECA Rating 2)	37,434,428	-	-	37,434,428	50%	18,717,214
Claims on foreign bank (ECA Rating 3-6)	2,445,835	-	-	2,445,835	100%	2,445,835
Claims on foreign bank (ECA Rating 7)	15,193,141	-	-	15,193,141	150%	22,789,711
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	2,676,949	-	-	2,676,949	20%	535,390
Claims on Domestic Corporates	11,198,759,585	-	173,744,194	11,025,015,391	100%	11,025,015,391
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)	3,247,077,442	-	30,756,294	3,216,321,148	75%	2,412,240,861
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	1,393,077,358	-	-	1,393,077,358	60%	835,846,415
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	25,110,498	14,117,789	-	10,992,709	100%	10,992,709
Claims secured by Commercial real estate	1,478,321,775	-	-	1,478,321,775	100%	1,478,321,775
Past due claims (except for claims secured by residential properties)	330,315,326	299,816,316	-	30,499,010	150%	45,748,515
High Risk claims	440,263,626	1,793,875	73,147,415	365,322,336	150%	547,983,503
Investments in equity and other capital instruments of institutions listed in stock exchange	10,380,100	-	-	10,380,100	100%	10,380,100
Investments in equity and other capital instruments of institutions not listed in the stock exchange	12,775,000	-	-	12,775,000	150%	19,162,500
Other Assets (as per attachment)	902,567,300	49,368,704	-	853,198,596	100%	853,198,596
TOTAL (A)	26,222,594,069	365,096,684	277,647,903	25,579,849,482		17,726,310,916

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f=d*e
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	47,610,801	-	-	47,610,801	0%	-
Forward Exchange Contract Liabilities	117,334,962	-	-	117,334,962	10%	11,733,496
LC Commitments With Original Maturity Upto 6 months domestic counterparty	1,234,409,214	-	27,869,689	1,206,539,525	20%	241,307,905
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	389,979,031	-	47,341,338	342,637,693	50%	171,318,847
LC Commitments With Original Maturity Over 6 months domestic counterparty	901,222,226	-	-	901,222,226	0%	-
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	1,162,723,914	-	71,421,082	1,091,302,831	50%	545,651,416
foreign counterparty (ECA Rating 0-1)	1,328,538,902	-	1,062,711,121	265,827,780	20%	53,165,556
foreign counterparty (ECA Rating 2)	989,056,895	-	489,890,747	499,166,147	50%	249,583,074
foreign counterparty (ECA Rating 2)	409,543,810	-	204,771,905	204,771,905	0%	-
foreign counterparty (ECA Rating 3-6)	748,320	-	-	748,320	100%	748,320
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	59,505,591	-	2,859,486	56,646,105	100%	56,646,105
Financial Guarantee	224,247,126	-	17,843,233	206,403,893	100%	206,403,893
Acceptances and Endorsements	923,091,064	-	49,187,434	873,903,630	100%	873,903,630
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (short term)	4,376,804,115	-	-	4,376,804,115	20%	875,360,823
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	107,386,297	-	-	107,386,297	20%	21,477,259
Other Contingent Liabilities	-	-	-	-	100%	-
Claims against the Bank, not acknowledged as liabilities	98,267,091	-	10,497,570	87,769,521	200%	175,539,042
TOTAL (B)	12,370,469,357	-	1,984,393,606	10,386,075,751		3,482,839,365
Total RWE for credit Risk (A) +(B)	38,593,063,426	365,096,684	2,262,041,509	35,965,925,233		21,209,150,281
<i>Adjustments under Pillar II</i>						
Add: 10% of the loans & facilities in excess of Single Obligor Limits	-	-	-	-		-
Add: 1% of the contract (sale) value in case of the sale of credit with recourse	-	-	-	-		-
Total RWE for Credit Risk after Bank's adjustments under Pillar II	38,593,063,426	365,096,684	2,262,041,509	35,965,925,233		21,209,150,281

Risk Weighted Exposure for Operational Risk

Amt in NPR

Particulars	FY 2067/68	FY 2066/67	FY 2065/66
	Year 1	Year 2	Year 3
Net Interest Income	1,167,990,036	967,918,787	784,642,375
Commission and Discount Income	173,507,982	160,065,397	150,919,291
Other Operating Income	79,726,192	74,958,096	43,222,093
Exchange Fluctuation Income	117,098,094	135,579,151	136,036,316
Addition/Deduction in Interest Suspense during the period	8,571	1,397,555	(2,916,376)
Gross income (a)	1,538,330,875	1,339,918,987	1,111,903,699
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	230,749,631	200,987,848	166,785,555
Capital Requirement for operational risk (d) (average of c)	199,507,678		
Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10		
Equivalent Risk Weight Exposure [f=(d×e)]	1,995,076,781		
<i>Adjustments under Pillar II</i>			
If Gross Income for the last three years in negative	NA		
Total Credit and Investment (net of Specific Provision)	NA		
Capital Requirement for Operational Risk (5%)			
Risk Weight (reciprocal of capital requirement of 10%) in times	10		
Equivalent Risk Weight Exposure (g)	-		
Equivalent Risk Weight Exposure [h=f+g]	1,995,076,781		

Risk Weighted Exposure for Market Risk

S.No.	Currency	Open Position (FCY)	Exchange rate	Open Position (NPR)	Relevant Open Position
1	USD	(1,311,921)	77.95	(102,264,209)	102,264,209
2	GBP	(22,167)	122.20	(2,708,795)	2,708,795
3	CHF	18,509	86.41	1,599,345	1,599,345
4	AUD	35,233	79.69	2,807,715	2,807,715
5	CAD	31,171	76.69	2,390,528	2,390,528
6	SGD	7,526	61.32	461,522	461,522
7	JPY	4,060,074	1.01	4,080,375	4,080,375
8	HKD	33,510	9.97	334,094	334,094
9	DKK	30,077.82	14.35	431,617	431,617
10	SEK	-	11.50	-	-
11	SAR	42,916	20.38	874,628	874,628
12	QAR	11,651	20.99	244,554	244,554
13	AED	8,635	20.81	179,694	179,694
14	THB	1,400	2.49	3,486	3,486
15	MYR	4,068	24.65	100,276	100,276
16	KRW	-	0.07	-	-
17	CNY	305,326	12.00	3,663,907	3,663,907
18	EUR	10,696	106.95	1,143,930	1,143,930
19	INR	37,016,939	1.60	59,227,103	59,227,103
Total Open Position (a)					182,515,778
Fixed Percentage (b)					5%
Capital Charge for Market Risk [c=(a×b)]					9,125,789
Risk Weight (reciprocal of capital requirement of 10%) in times (d)					10
Equivalent Risk Weight Exposure [e=(c×d)]					91,257,889

4. Amount of NPAs

Figures in NPR

SN	Loan Classification	Gross Amount	Provision Held	Net Amount
1	Restructured/ Rescheduled Loan	3,347,602	418,450	2,929,152
2	Substandard Loan	45,624,559	11,406,140	34,218,419
3	Doubtful Loan	8,502,236	4,251,118	4,251,118
4	Bad Loan	299,652,272	299,652,272	-
	TOTAL	357,126,669	315,727,980	41,398,689

5. **NPA Ratios**

Gross NPA to Gross Advances	1.94%
Net NPA to Net Advances	0.23%

6. **Movement of Non-Performing Assets (Asadh 2068 vs Ashwin 2068)**

Figures in NPR

SN	Non Performing Loan	Opening Balance	Increment during the period	Reduction during the period	Closing Balance
1	Restructured/Rescheduled Loan	3,389,570	21,856	63,824	3,347,602
2	Sub-Standard Loan	12,665,463	36,617,728	3,658,632	45,624,559
3	Doubtful Loan	6,220,630	3,406,022	1,124,416	8,502,236
4	Bad Loan	304,053,664	26,166,850	30,568,242	299,652,272
	Total	326,329,327	66,212,456	35,415,114	357,126,669

7. **Write Off of Loans & Interest Suspense (Asadh 2068 vs Ashwin 2068)**

Figures in NPR

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

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

i. **Movement in Loan Loss Provision (Asadh 2068 vs Ashwin 2068)**

Figures in NPR

SN	Loan Loss Provision	Opening Balance	Increment during the year	Reduction during the year	Closing Balance
1	Pass Loan	178,003,500	43,079,635	32,796,387	188,286,748
2	Restructured/Rescheduled Loan	423,696	2,732	7,978	418,450
3	Sub-Standard Loan	3,166,366	9,154,432	914,658	11,406,140
4	Doubtful Loan	3,110,315	1,703,011	562,208	4,251,118
5	Bad Loan	304,053,664	26,166,850	30,568,242	299,652,272
	Total	488,757,541	80,106,660	64,849,473	504,014,728

ii. **Movement in Interest Suspense (Asadh 2068 vs Ashwin 2068)**

Figures in NPR

Particulars	Opening Balance	Increment during the year	Reduction during the year	Closing Balance
Interest Suspense	13,255,971	38,756,548	7,823,158	44,189,361

9. **Details of Additional Loan Loss Provisions (Asadh 2068 vs Ashwin 2068)**

Additional Loan Loss Provision of NPR 7,000,000 has been booked up to the quarter ending Ashwin 2068.

10. Segregation of Investment Portfolio*Figures in NPR*

SN	Investment Category	Amount as on Ashwin end 2068
1	Held for Trading	-
2	Held to Maturity	5,051,700,884
3	Available for Sale	23,155,100
	Total	5,074,855,984

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

SN	Particulars	Amount in NPR
1	Deposits with Bank	477,356,109
3	Govt. & NRB Securities	27,311,626
3	Guarantee of Government of Nepal	-
4	Guarantee of Foreign Banks	1,757,373,774
	TOTAL	2,262,041,509

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