

Disclosures under Basel II - Poush 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)	2,332,872,383
1	Paid Up Capital	1,359,480,700
2	Irredeemable Non-cumulative preference shares	-
3	Share Premium	-
4	Proposed Bonus Shares	-
5	General Reserve Fund	464,281,405
6	Retained Earnings	52,806,796
7	Un-audited current year cumulative profit	311,779,755
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)	310,306,844
1	Cumulative and/or Redeemable Preference Share	-
2	Unsecured Subordinated Term Debt	200,000,000
3	Less: discounted for lesser tenure	(131,068,493)
4	Hybrid Capital Instruments	-
5	General Loan Loss Provision	188,938,225
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 68,931,507**

** 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	131,068,493
	Discounted for lesser tenure on unsecured subordinated term debt	
	TOTAL	131,068,493

5. **Total Qualifying Capital**

Figures in NPR

SN	Particulars	Amount
1	Core Capital (Tier 1)	2,332,872,383
2	Supplementary Capital (Tier 2)	310,306,844
	TOTAL	2,643,179,227

6. **Capital Adequacy Ratio:** 11.52%

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	21,211,550,525
b	Risk Weighted Exposure for Operational Risk	1,660,771,213
c	Risk Weighted Exposure for Market Risk	67,447,425
Total Risk Weighted Exposures (a+b+c)		22,939,769,163

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	290,126,510
3	Claims on banks	312,985,319
4	Claims on domestic corporate and securities firms	9,564,697,830
5	Claims on regulatory retail portfolio	2,531,261,791
6	Claims secured by residential properties	892,212,366
7	Claims secured by commercial real estate	1,607,708,304
8	Past due claims	189,354,005
9	High risk claims	630,052,486
10	Other assets	879,930,526
11	Off balance sheet items	4,313,221,388
	TOTAL	21,211,550,525

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

Figures in NPR

SN	Particulars	Amount
1	Total Risk Weighted Exposure	22,939,769,163
2	Total Core Capital Fund (Tier 1)	2,332,872,383
3	Total Capital Fund (Tier 1 & Tier 2)	2,643,179,227
4	Total Core Capital to Total Risk Weighted Exposures	10.17%
5	Total Capital to Total Risk Weighted Exposures	11.52%

4. **Amount of NPAs**

Figures in NPR

SN	Loan Classification	Gross Amount	Provision Held	Net Amount
1	Restructured/ Rescheduled Loan	1,995,414	249,427	1,745,987
2	Substandard Loan	136,065,771	34,016,443	102,049,328
3	Doubtful Loan	75,292,598	37,646,299	37,646,299
4	Bad Loan	162,337,649	162,337,649	0
	TOTAL	375,691,432	234,249,818	141,441,614

5. **NPA Ratios**

Gross NPA to Gross Advances	2.16%
Net NPA to Net Advances	0.83%

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

Figures in NPR

SN	Non Performing Loan	Opening Balance	Increment during the year	Reduction during the year	Closing Balance
1	Restructured/Rescheduled Loan	40,392,338	14,173	38,411,096	1,995,414
2	Sub-Standard Loan	37,838,788	108,918,859	10,691,876	136,065,771
3	Doubtful Loan	73,731,432	2,866,254	1,305,088	75,292,598
4	Bad Loan	165,936,375	580,424	4,179,150	162,337,649
	Total	317,898,933	112,379,710	54,587,210	375,691,432

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

Figures in NPR

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

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

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

Figures in NPR

SN	Loan Loss Provision	Opening Balance	Increment during the year	Reduction during the year	Closing Balance
1	Pass Loan	174,293,008	44,729,450	30,084,233	188,938,225
2	Restructured/Rescheduled Loan	5,049,042	1,772	4,801,387	249,427
3	Sub-Standard Loan	9,459,697	25,243,944	687,198	34,016,443
4	Doubtful Loan	36,865,716	3,950,907	3,170,324	37,646,299
5	Bad Loan	165,936,375	2,551,338	6,150,064	162,337,649
	Total	391,603,838	76,477,411	44,893,206	423,188,043

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

Figures in NPR

Particulars	Opening Balance	Increment during the year	Reduction during the year	Closing Balance
Interest Suspense	15,321,920	18,577,930	13,621,309	20,278,541

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

Additional Loan Loss Provision of NPR 19,000,000 has been booked up to the quarter ending Poush 2067.

10. **Segregation of Investment Portfolio**

SN	Investment Category	Amount as on Poush end 2067
1	Held for Trading	-
2	Held to Maturity	2,859,266,659
3	Available for Sale	23,155,100
		2,882,421,759

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

SN	Particulars	Amount in NPR
1	Deposits with Bank	422,142,229
3	Govt. & NRB Securities	27,579,726
3	Guarantee of Government of Nepal	2,170,724
4	Guarantee of Foreign Banks	1,529,339,656
	TOTAL	1,981,232,335

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