



BANK OF KATHMANDU LTD.

Disclosures under Basel III – Ashadh 2074

A. Capital Structure & Capital Adequacy as per Basel III

1. Tier 1 Capital and Breakdown of its Components :

Figures in NPR

SN	Particulars	Amount
A	Core Capital (Tier 1)	8,852,257,034
1	Paid Up Capital	5,629,576,000
2	Irredeemable Non-cumulative preference shares	-
3	Share Premium	-
4	Proposed Bonus Shares	-
5	General Reserve Fund	1,693,935,497
6	Retained Earnings	16,661,596
7	Un-audited current year cumulative profit	1,239,075,193
8	Capital Redemption Reserve	-
9	Capital Adjustment Reserve	-
10	Dividend Equalization Reserves	-
11	Bond Redemption Reserve	300,000,000
12	Deferred Tax Reserve	-
13	Other Free Reserve	37,567,894
14	Deductions	(64,559,145)
	Less: Deferred Tax Asset	(51,959,145)
	Less: Investment in equity of institutions in excess of limits	(12,600,000)

2. Tier 2 Capital and Breakdown of its Components

Figures in NPR

SN	Particulars	Amount
B	Supplementary Capital (Tier 2)	1,653,827,366
1	Cumulative and/or Redeemable Preference Share	-
2	Unsecured Subordinated Term Debt	827,287,671
3	Less: discounted for lesser tenure	-
4	Hybrid Capital Instruments	-
5	General Loan Loss Provision	725,045,814
6	Exchange Fluctuation Reserve	60,081,321
7	Investment Adjustment Reserve	13,497,066
8	Assets Revaluation Reserve	-
9	Other Reserves	10,961,884
10	Reserve for Capital Expenditure	16,953,609

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 2076 (BOK Bond)
Outstanding amount	: NPR 400,000,000
Amount raised during the year	: NPR 400,000,000
Maturity Date	: May 17, 2020
Amount to be reckoned as capital	: NPR 400,000,000
Bond floated as	: Bank of Kathmandu Bond 2079 (BOK Bond)



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Outstanding amount	: NPR 600,000,000
Amount raised during the year	: NPR 600,000,000
Maturity Date	: June 27, 2022
Amount to be reckoned as capital	: NPR 600,000,000

A cumulative amortization factor of 20% per annum shall be applied to determine the amount to be recognized under Tier II capital during the last 5 years to maturity. Redemption reserve for BOK Bond 2076 has been created from FY 2070-71 and for BOK Bond 2079 has been created from FY 2072-73.

4. Total deductions from Capital

Particulars	Amount
Deferred Tax Asset	(51,959,145)
Investment in equity of institutions in excess of limits	(12,600,000)
Total	(64,559,145)

5. Total Qualifying Capital

Figures in NPR

SN	Particulars	Amount
1	Core Capital (Tier 1)	8,852,257,034
2	Supplementary Capital (Tier 2)	1,653,827,366
	TOTAL	10,506,084,400

6. Capital Adequacy Ratio: 13.97%

7. Leverage Ratio: 8.34%

Particulars		Amount
A	Exposure Measure	106,093,064,162
	1. On balance sheet Assets (net of specific provisioning)	84,762,923,080
	2. Repurchase agreements and securities finance	
	3. Derivatives	
	4. Off balance sheet exposure	21,394,700,227
	Less : Regulatory Deductions from CET1 Capital (CAF 2.7 B.I.b)	(64,559,145)
B	Capital Measure	8,852,257,034
	1. Common Equity Tier 1 Capital (After regulatory Adjustment)	8,852,257,034
	2. Additional Tier 1 Capital	-
C	Leverage Ratio	8.34%



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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	69,000,683,070
b	Risk Weighted Exposure for Operational Risk	2,874,105,779
c	Risk Weighted Exposure for Market Risk	1,237,764,148
Total Risk Weighted Exposures (a + b + c)		73,112,552,997
Adjustments under Pillar II:		
Add: 3% fo the Total RWE due to non-compliance to Disclosure Requirement		
Add: 1 % of the total deposit due to insufficient Liquid Assets		
Add: RWE equivalent to reciprocal of capital charge of 3 % of gross income		646,371,631
Add: 2% of the total RWE due to overall risk factors		1,462,251,060
Total Risk Weighted Exposures (a + b + c)		75,221,175,688

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	246,469,658
3	Claims on banks	872,380,749
4	Claims on domestic corporate and securities firms	37,726,622,037
5	Claims on regulatory retail portfolio	7,696,978,270
6	Claims secured by residential properties	2,162,133,709
7	Claims secured by commercial real estate	394,258,908
8	Past due claims	1,034,083,526
9	High risk claims	11,533,789,736
10	Other assets	2,159,999,981
11	Off balance sheet items	5,173,966,496
	TOTAL	69,000,683,070



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3. Total Risk Weighted Exposures calculation table

a. Risk Weighted Exposure for Credit Risk

Figures in NPR

A. Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value d=a-b-c	Risk Weight e	Risk Weighted Exposures f = d x e
Cash Balance	1,706,071,032	-	-	1,706,071,032	0%	-
Balance With Nepal Rastra Bank	6,611,604,298	-	-	6,611,604,298	0%	-
Investment in Nepalese Government Securities	9,590,355,446	-	-	9,590,355,446	0%	-
All Claims on Government of Nepal	219,406,065	-	-	219,406,065	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)	246,469,658	-	-	246,469,658	100%	246,469,658
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	839,039,549	-	-	839,039,549	20%	167,807,910
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	1,663,916,934	-	-	1,663,916,934	20%	332,783,387
Claims on foreign bank (ECA Rating 2)	670,340,981	-	-	670,340,981	50%	335,170,491



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Claims on foreign bank (ECA Rating 3-6)	30,080,847	-	-	30,080,847	100%	30,080,847
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	32,690,576	-	-	32,690,576	20%	6,538,115
Claims on Domestic Corporates	37,840,642,925	-	114,020,887	37,726,622,037	100%	37,726,622,037
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)	10,266,146,279	-	3,508,586	10,262,637,693	75%	7,696,978,270
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	3,603,556,181	-	-	3,603,556,181	60%	2,162,133,709
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	102,209,312	26,814,534	-	75,394,778	100%	75,394,778
Claims secured by Commercial real estate	394,258,908	-	-	394,258,908	100%	394,258,908
Past due claims (except for claims secured by residential properties)	2,110,936,495	1,470,823,317	987,346	639,125,832	150%	958,688,748
High Risk claims	7,766,362,497	-	199,212,667	7,567,149,830	150%	11,350,724,746
Investments in equity and other capital instruments of institutions listed in stock exchange	122,766,490	-	-	122,766,490	100%	122,766,490
Investments in equity and other capital instruments of institutions not listed in the stock exchange	40,199,000	-	-	40,199,000	150%	60,298,500
Staff Loan secured by Residential Properties	289,425,111	-	-	289,425,111	60%	173,655,067
Interest Receivable/Claim on Government Securities	127,737,433	-	-	127,737,433	0%	-
Cash in Transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets (as per attachment)	2,334,042,937	347,698,023	-	1,986,344,914	100%	1,986,344,914
TOTAL (A)	86,608,258,954	1,845,335,874	317,729,487	84,445,193,594		63,826,716,574



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Figure in NPR

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 x e
Revocable Commitments			-	-	0%	-
Bills Under Collection	124,547,356		-	124,547,356	0%	-
Forward Exchange Contract Liabilities	3,336,493,487		-	3,336,493,487	10%	333,649,349
LC Commitments With Original Maturity Upto 6 months domestic counterparty	3,091,575,215		625,709,544	2,465,865,671	20%	493,173,134
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	439,212,764		24,919,021	414,293,744	50%	207,146,872
LC Commitments With Original Maturity Over 6 months domestic counterparty	423,355,254		-	423,355,254	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	2,331,592,420		96,517,094	2,235,075,326	50%	1,117,537,663
foreign counterparty (ECA Rating 0-1)	266,385,982		209,845,520	56,540,462	20%	11,308,092
foreign counterparty (ECA Rating 2)	-		-	-	50%	-
foreign counterparty (ECA Rating 2)				-	0%	-
foreign counterparty (ECA Rating 3-6)	-		-	-	100%	-
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	243,625,983		16,313,281	227,312,702	100%	227,312,702
Advance Payment Guarantee	-		-	-	0%	-
Financial Guarantee				-	100%	-



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Other Guarantee	-		-	-	100%	-
Acceptances and Endorsements	628,363,903		75,992,080	552,371,824	100%	552,371,824
Unpaid portion of Partly paid shares and Securities	-		-	-	100%	-
Irrevocable Credit commitments (short term)	10,268,750,902		-	10,268,750,902	20%	2,053,750,180
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	67,436,168		-	67,436,168	20%	13,487,234
Other Contingent Liabilities	114,899,758		-	114,899,758	100%	114,899,758
Unpaid guarantee claims	58,461,032		33,796,188	24,664,843	200%	49,329,687
TOTAL (B)	21,394,700,227	-	1,083,092,728	20,311,607,499		5,173,966,496
Total RWE for Credit Risk before adjustment (A) +(B)	108,002,959,181	1,845,335,874	1,400,822,214	104,756,801,093		69,000,683,070
<u>Adjustments under Pillar II</u>						
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	108,002,959,181	1,845,335,874	1,400,822,214	104,756,801,093		69,000,683,070



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b. Risk Weighted Exposure for Operational Risk

Figures in NPR

Particulars	FY 2072/73	FY 2071/72	FY 2070/71
	Year 1	Year 1	Year 2
Net Interest Income	1,542,905,983	1,381,348,667	1,218,931,411
Commission and Discount Income	258,973,743	265,339,548	222,901,981
Other Operating Income	105,087,868	65,446,261	65,872,068
Exchange Fluctuation Income	178,561,606	161,924,985	145,823,366
Addition/Deduction in Interest Suspense during the period	69,042,904	34,876,511	31,174,655
Gross income (a)	2,154,572,104	1,908,935,972	1,684,703,481
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(axb)]	323,185,816	286,340,396	252,705,522
Capital Requirement for operational risk (d) (average of c)	287,410,578		
Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10		
Equivalent Risk Weight Exposure [f=(dxe)]	2,874,105,779		
<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)		0	
Equivalent Risk Weight Exposure [h=f+g]	2,874,105,779		



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c. Risk Weighted Exposure for Market Risk

Figures in NPR

S.No.	Currency	Open Position (FCY)	Exchange rate	Open Position (NPR)	Relevant Open Position
1	USD	88,715.61	102.85	9,124,400.49	9,124,400.49
2	GBP	(293.10)	134.22	(39,339.88)	39,339.88
3	CHF	4,105.67	106.19	435,981.10	435,981.10
4	AUD	(1,329.20)	80.11	(106,482.21)	106,482.21
5	CAD	(2,882.83)	80.90	(233,220.95)	233,220.95
6	SGD	(9,216.68)	74.60	(687,564.33)	687,564.33
7	JPY	(1,942,515.45)	0.91	(1,767,689.06)	1,767,689.06
8	SAR	22,850.00	27.31	624,033.50	624,033.50
9	QAR	6,576.00	27.36	179,919.36	179,919.36
10	AED	12,876.00	27.45	353,446.20	353,446.20
11	THB	147,740.00	2.99	441,742.60	441,742.60
12	MYR	11,730.00	23.81	279,291.30	279,291.30
13	KRW	289,000.00	0.09	25,778.80	25,778.80
14	CNY	260,473.08	14.88	3,875,839.43	3,875,839.43
15	EUR	5,430.36	117.47	637,904.39	637,904.39
16	HKD	2,560.00	13.11	33,561.60	33,561.60
17	DKK	11,427.93	15.78	180,332.74	180,332.74
18	SEK	-	12.13	-	-
19	KWD	84.25	337.76	28,456.28	28,456.28
20	BHD	-	271.39	-	-
21	INR	1,535,295,820.49	1.60	2,456,473,312.78	2,456,473,312.78
Total Open Position (a)				2,469,859,704.14	2,475,528,296.99
Fixed Percentage (b)					5%
Capital Charge for Market Risk [c=(axb)]					123,776,414.85
Risk Weight (reciprocal of capital requirement of 10%) in times (d)					10
Equivalent Risk Weight Exposure [e=(cxd)]					1,237,764,148.50

Total Risk weighted Exposures

Figures in NPR

SN	Particulars	Amount
1	Total Risk Weighted Exposure	75,221,175,688
2	Total Core Capital Fund (Tier 1)	8,852,257,034
3	Total Capital Fund (Tier 1 & Tier 2)	10,506,084,400
4	Total Core Capital to Total Risk Weighted Exposures	11.77%
5	Total Capital to Total Risk Weighted Exposures	13.97%
6	Leverage Ratio	8.34%



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1. Amount of NPAs

Figures in NPR

SN	Loan Classification	Gross Amount	Provision Held	Net Amount
1	Restructured/ Rescheduled Loan	-	-	-
2	Substandard Loan	281,005,212	70,251,303	210,753,909
3	Doubtful Loan	78,735,620	39,367,810	39,367,809
4	Bad Loan	544,240,941	544,240,941	-
	TOTAL	903,981,773	653,860,054	250,121,718

2. NPA Ratios

Gross NPA to Gross Advances	1.46%
Net NPA to Net Advances	0.42%

3. Movement of Non-Performing Assets (Chaitra 2073 vs Ashadh 2074)

Figures in NPR

SN	Non Performing Loan	Opening Balance	Increment during the period	Reduction during the period	Closing Balance
1	Restructured/Rescheduled Loan	-	-	-	-
2	Sub-Standard Loan	493,658,299	(171,338,027)	(41,315,060)	281,005,212
3	Doubtful Loan	127,189,357	(48,752,580)	298,843	78,735,620
4	Bad Loan	469,996,474	131,188,173	(56,943,706)	544,240,941
	Total	1,090,844,130	(88,902,434)	1,001,941,696	903,981,773

4. Write Off of Loans & Interest Suspense (Chaitra 2073 vs Ashadh 2074)

Nil

5. Movement in Loan Loss Provision & Interest Suspense

i. Movement in Loan Loss Provision (Chaitra 2073 vs Ashadh 2074)

Figures in NPR

SN	Loan Loss Provision	Opening Balance	Increment during the period	Reduction during the period	Closing Balance
1	Pass Loan	584,307,962	(3,862,955)	(1,678,602)	578,766,406
2	Watch List	118,764,328	29,436,559	(1,921,478)	146,279,408
3	Restructured/Rescheduled Loan	-	-	-	-
4	Sub-Standard Loan	123,414,575	(42,834,507)	(10,328,765)	70,251,303
5	Doubtful Loan	63,594,679	(24,376,290)	149,422	39,367,810
6	Bad Loan	469,996,474	131,188,173	(56,943,706)	544,240,941
	Total	1,360,078,018	89,550,980	1,449,628,998	1,378,905,868



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ii. Movement in Interest Suspense (Chaitra 2073 vs Ashadh 2074)

Figures in NPR

Particulars	Opening Balance	Increment during the period	Reduction during the period	Closing Balance
Interest Suspense	314,827,071.67	272,909,246.39	279,357,142.41	308,379,175.65

6. Details of Additional Loan Loss Provisions

Nil

7. Segregation of Investment Portfolio

SN	Investment Category	Amount in NPR (Ashadh 2074)
1	Held for Trading	-
2	Held to Maturity	11,598,244,521
3	Available for Sale	162,965,490
		11,761,210,011

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

SN	Particulars	Amount in NPR
1	Deposits with Bank	1,063,162,297
2	Gold	-
3	Govt. & NRB Securities	114,474,292
5	Guarantee of Foreign Banks	223,185,625
	TOTAL	1,400,822,214

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

The Revised Capital Adequacy Framework (under BASEL III) provides distinct approaches for computing capital requirements in relation to credit risk, operational risk and market risk. The Bank also takes into consideration these risk factors during assessment of ICAAP. The Banks' Internal Capital Adequacy Assessment Process (ICAAP) involves assessment of:

- Actual Capital Adequacy of the Bank
- Additional capital requirement in relation to the existing risk profile of the Bank
- Additional capital requirement in relation to the business growth of the Bank

The Bank has ICAAP Policy approved by the Board, to ensure the Bank possess adequate capital resources in commensuration with all the material risks posed to it by its operating activities and evaluate its ability to hold capital in excess of the minimum regulatory capital



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adequacy ratio. To this regard, the Risk Management Committee of the Bank reviews ICAAP on quarterly basis to ascertain the adequacy of current available capital in relation to the regulatory requirement, current risk profile and growth prospect of the Bank.

The Bank prepares annual budget plan and computes capital adequacy ratio in order to assess the adequacy of capital for the required growth. The Bank on monthly basis reviews the performance report and the capital adequacy ratio.

Furthermore, the Bank also prepares long term capital plan. 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.

10. 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, 2076” (BOK Bond) amounting to NPR 400 million as Subordinated Term Debt in Baishak 2070. Bank has not pledged any securities while issuing BOK bond. The bond has the following features:

- Bond Validity Period : 7 year
- Bond Maturity Date : May 17, 2020
- Coupon Interest Rate : 8% 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.

The bank has issued “Bank of Kathmandu Bond, 2079” (BOK Bond) amounting to NPR 600 million as Subordinated Term Debt in Ashad 2072. Bank has not pledged any securities while issuing BOK bond. The bond has the following features:

- Bond Validity Period : 7 year
- Bond Maturity Date : June 27, 2022
- Coupon Interest Rate : 8% 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.