



BANK OF KATHMANDU LTD.

Disclosures under Basel III –Ashwin 2074

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)	9,002,297,447
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	1,181,732,076
7	Un-audited current year cumulative profit	224,045,125
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)	1,571,702,654
1	Cumulative and/or Redeemable Preference Share	
2	Unsecured Subordinated Term Debt	770,191,781
3	Less: discounted for lesser tenure	
4	Hybrid Capital Instruments	
5	General Loan Loss Provision	700,611,356
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	16,359,245

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:



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Bond floated as : Bank of Kathmandu Bond 2076 (BOK Bond)
 Outstanding amount : NPR 400,000,000
 Amount raised during the year : Nil
 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)
 Outstanding amount : NPR 600,000,000
 Amount raised during the year : Nil
 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)	9,002,297,447
2	Supplementary Capital (Tier 2)	1,571,702,654
	TOTAL	10,574,000,101

6. Capital Adequacy Ratio: 13.82%

7. Leverage Ratio: 8.67%

	Particulars	Amount
A	Exposure Measure	103,798,890,918
	1. On balance sheet Assets (net of specific provisioning)	81,930,432,667
	2. Repurchase agreements and securities finance	
	3. Derivatives	
	4. Off balance sheet exposure	21,933,017,396
	Less : Regulatory Deductions from CET1 Capital (CAF 2.7 B.I.b)	(64,559,145)
B	Capital Measure	9,002,297,446
	1. Common Equity Tier 1 Capital (After regulatory Adjustment)	9,002,297,446
	2. Additional Tier 1 Capital	-
C	Leverage Ratio	8.67%



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8. Risk Exposures

A. Risk Weighted Exposures for Credit Risk, Market Risk & Operational Risks

Figures in NPR

RISK WEIGHTED EXPOSURES		Current Period (Ashwin 31, 2074)
a	Risk Weighted Exposure for Credit Risk	69,060,861,823
b	Risk Weighted Exposure for Operational Risk	3,703,361,017
c	Risk Weighted Exposure for Market Risk	1,262,617,548
Total (a+b+c)		74,026,840,388
<i>Adjustments under Pillar II</i>		
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	1,002,964,188
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 2% of RWE	1,480,536,807.76
Total Risk Weighted Exposures (After Bank's adjustment for Pillar II)		76,510,341,384

B. 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	182,041,643
3	Claims on banks	1,000,555,098
4	Claims on domestic corporate and securities firms	38,101,508,481
5	Claims on regulatory retail portfolio	7,267,757,081
6	Claims secured by residential properties	2,110,696,995
7	Claims secured by commercial real estate	334,559,969
8	Past due claims	1,533,717,383
9	High risk claims	11,048,020,044
10	Other assets	2,049,102,372
11	Off balance sheet items	5,432,902,756
TOTAL		69,060,861,822



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C. Total Risk Weighted Exposures calculation table 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*e
Cash Balance	1,396,857,834	-	-	1,396,857,834	0%	-
Balance With Nepal Rastra Bank	4,360,877,225	-	-	4,360,877,225	0%	-
Gold	-	-	-	-	0%	-
Investment in Nepalese Government Securities	9,455,319,273	-	-	9,455,319,273	0%	-
All Claims on Government of Nepal	208,661,713	-	-	208,661,713	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)	182,041,643	-	-	182,041,643	100%	182,041,643



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Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	762,010,644	-	-	762,010,644	20%	152,402,129
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	2,150,685,801	-	-	2,150,685,801	20%	430,137,160
Claims on foreign bank (ECA Rating 2)	769,806,296	-	-	769,806,296	50%	384,903,148
Claims on foreign bank (ECA Rating 3-6)	29,551,205	-	-	29,551,205	100%	29,551,205
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	17,807,282	-	-	17,807,282	20%	3,561,456
Claims on Domestic Corporates	38,207,454,285	-	105,945,804	38,101,508,481	100%	38,101,508,481
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)	9,693,708,810	-	3,366,036	9,690,342,774	75%	7,267,757,081
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	3,517,828,325	-	-	3,517,828,325	60%	2,110,696,995
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	112,422,065	26,790,912	-	85,631,153	100%	85,631,153
Claims secured by Commercial real estate	334,559,969	-	-	334,559,969	100%	334,559,969
Past due claims (except for claims secured by residential properties)	2,545,193,534	1,579,268,385	534,329	965,390,820	150%	1,448,086,230
High Risk claims	7,526,196,973	-	160,850,277	7,365,346,696	150%	11,048,020,044
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



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Staff Loan secured by Residential Properties	337,044,612			337,044,612	60%	202,226,767
Interest Receivable/Claim on Government Securities	101,688,370			101,688,370	0%	-
Cash in Transit and other cash items in the process of collection	-			-	20%	-
Other Assets (as per attachment)	2,112,657,902	448,847,287	-	1,663,810,615	100%	1,663,810,615
TOTAL (A)	83,985,339,250	2,054,906,584	270,696,446	81,659,736,220		63,627,959,066

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*e
Revocable Commitments			-	-	0%	-
Bills Under Collection	313,903,252		-	313,903,252	0%	-
Forward Exchange Contract Liabilities	3,498,554,461		-	3,498,554,461	10%	349,855,446
LC Commitments With Original Maturity Upto 6 months domestic counterparty	2,471,199,508		1,129,610,921	1,341,588,587	20%	268,317,717
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	386,609,211		24,208,397	362,400,813	50%	181,200,407
LC Commitments With Original Maturity Over 6 months domestic counterparty	431,308,701		-	431,308,701	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	2,223,180,866		124,999,400	2,098,181,465	50%	1,049,090,733
foreign counterparty (ECA Rating 0-1)	287,527,276		226,758,555	60,768,721	20%	12,153,744
foreign counterparty (ECA Rating 2)	-		-	-	50%	-



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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	206,242,024		15,275,540	190,966,484	100%	190,966,484
Advance Payment Guarantee	-		-	-	0%	-
Financial Guarantee				-	100%	-
Other Guarantee	-		-	-	100%	-
Acceptances and Endorsements	1,143,509,499		92,563,676	1,050,945,824	100%	1,050,945,824
Unpaid portion of Partly paid shares and Securities	-		-	-	100%	-
Irrevocable Credit commitments (short term)	10,759,207,022		-	10,759,207,022	20%	2,151,841,404
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	30,141,542		-	30,141,542	20%	6,028,308
Other Contingent Liabilities	123,173,002		-	123,173,002	100%	123,173,002
Unpaid guarantee claims	58,461,032		33,796,188	24,664,843	200%	49,329,687
TOTAL (B)	21,933,017,396	-	1,647,212,678	20,285,804,718		5,432,902,756
Total RWE for Credit Risk before adjustment (A) +(B)	105,918,356,647	2,054,906,584	1,917,909,124	101,945,540,939		69,060,861,823
<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	105,918,356,647	2,054,906,584	1,917,909,124	101,945,540,939		69,060,861,823



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D. Risk Weighted Exposure for Operational Risk

Figures in NPR

Particulars	FY 2073/74	FY 2072/73	FY 2071/72
	Year 1	Year 1	Year 2
Net Interest Income	2,566,070,445	1,542,905,983	1,381,348,667
Commission and Discount Income	167,026,335	258,973,743	265,339,548
Other Operating Income	301,892,939	105,087,868	65,446,261
Exchange Fluctuation Income	230,345,442	178,561,606	161,924,985
Addition/Deduction in Interest Suspense during the period	77,878,798	69,042,904	34,876,511
Gross income (a)	3,343,213,959	2,154,572,104	1,908,935,972
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	501,482,094	323,185,816	286,340,396
Capital Requirement for operational risk (d) (average of c)	370,336,102		
Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10		
Equivalent Risk Weight Exposure [f=(d×e)]	3,703,361,017		
<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]	3,703,361,017		



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E. 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	(13,929.79)	103.50	(1,441,733.27)	1,441,733.27
2	EUR	14,149.86	121.39	1,717,651.51	1,717,651.51
3	GBP	(1,884.86)	136.63	(257,528.42)	257,528.42
4	CHF	16,351.26	105.42	1,723,749.83	1,723,749.83
5	AUD	(1,151.18)	80.81	(93,026.86)	93,026.86
6	CAD	7,212.55	82.17	592,655.23	592,655.23
7	SGD	(1,571.24)	76.00	(119,414.24)	119,414.24
8	JPY	135,212.89	0.92	124,395.86	124,395.86
9	CNY	261,285.86	15.36	4,013,350.81	4,013,350.81
10	SAR	76,868.00	27.49	2,113,101.32	2,113,101.32
11	QAR	21,251.00	28.28	600,978.28	600,978.28
12	THB	1,034,240.00	3.07	3,175,116.80	3,175,116.80
13	AED	9,401.00	27.62	259,655.62	259,655.62
14	MYR	57,348.00	24.35	1,396,423.80	1,396,423.80
15	KRW	215,000.00	0.09	19,264.00	19,264.00
16	SEK	-	12.50	-	-
17	DKK	(20,786.92)	16.29	(338,618.93)	338,618.93
18	HKD	11,630.00	13.19	153,399.70	153,399.70
19	KWD	416.25	341.07	141,970.39	141,970.39
20	BHD	341.00	273.44	93,243.04	93,243.04
21	INR	1,566,787,386.07	1.60	2,506,859,817.71	2,506,859,817.71
Total Open Position (a)				2,520,734,452.19	2,525,235,095.61
Fixed Percentage (b)					5%
Capital Charge for Market Risk [c=(a×b)]					126,261,755
Risk Weight (reciprocal of capital requirement of 10%) in times (d)					10
Equivalent Risk Weight Exposure [e=(c×d)]					1,262,617,548

F. Total Risk weighted Exposures

Figures in NPR

SN	Particulars	Amount
1	Total Risk Weighted Exposure	76,510,341,384
2	Total Core Capital Fund (Tier 1)	9,002,297,447
3	Total Capital Fund (Tier 1 & Tier 2)	10,574,000,100
4	Total Core Capital to Total Risk Weighted Exposures	11.77%
5	Total Capital to Total Risk Weighted Exposures	13.82%
6	Leverage Ratio	8.67%



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9. Amount of NPAs

Figures in NPR

SN	Loan Classification	Gross Amount	Provision Held	Net Amount
1	Restructured/ Rescheduled Loan	-	-	-
2	Substandard Loan	602,829,361	150,707,340	452,122,021
3	Doubtful Loan	126,222,494	63,111,247	63,111,247
4	Bad Loan	1,392,240,709	1,392,240,709	0
	TOTAL	2,121,292,564	1,606,059,297	515,233,268

10. NPA Ratios

Gross NPA to Gross Advances	2.08%
Net NPA to Net Advances	0.86%

11. Movement of Non-Performing Assets (Asadh 2074 vs Ashwin 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	281,005,212	333,463,546	11,639,397	602,829,361
3	Doubtful Loan	78,735,620	50,266,217	2,779,344	126,222,494
4	Bad Loan	1,388,018,738	26,963,482	22,741,510	1,392,240,709
	Total	1,747,759,570	410,693,245	37,160,251	2,121,292,564

12. Write Off of Loans & Interest Suspense (Asadh 2074 vs Ashwin 2074)

Nil

13. Movement in Loan Loss Provision & Interest Suspense

i. Movement in Loan Loss Provision (Asadh 2074 vs Ashwin 2074)

SN	Loan Loss Provision	Opening Balance	Increment during the period	Reduction during the period	Closing Balance
1	Pass Loan	578,766,406	12,018,734	13,353,295	577,431,845
2	Watch List	146,279,409	(14,523,635)	8,576,263	123,179,511
3	Restructured/Rescheduled Loan	-	-	-	-



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4	Sub-Standard Loan	70,251,303	83,365,887	2,909,849	150,707,340
5	Doubtful Loan	39,367,810	25,133,108	1,389,672	63,111,247
6	Bad Loan	1,388,018,738	26,963,482	22,741,510	1,392,240,709
	Total	2,222,683,665	132,957,577	48,970,589	2,306,670,653

Figures in NPR

ii. Movement in Interest Suspense (Asadh 2074 vs Ashwin 2074)

Figures in NPR

Particulars	Opening Balance	Increment during the period	Reduction during the period	Closing Balance
Interest Suspense	308,379,175.65	309,804,201.03	208,654,936.74	409,528,439.94

14. Details of Additional Loan Loss Provisions

Nil

15. Segregation of Investment Portfolio

SN	Investment Category	Amount as on (Ashwin End 2074 NPR)
1	Held for Trading	-
2	Held to Maturity	12,115,862,697
3	Available for Sale	162,965,490
	TOTAL	12,278,828,187

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

SN	Particulars	Amount in NPR
1	Deposits with Bank	1,579,554,062
2	Gold	0
3	Govt. & NRB Securities	98,172,093
5	Guarantee of Foreign Banks	240,182,968
	TOTAL	1,917,909,124

17. 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:



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- i. Actual Capital Adequacy of the Bank
- ii. Additional capital requirement in relation to the existing risk profile of the Bank
- iii. 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 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)



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- Interest Payment Timing : Interest is paid on the 1st day of Magh and Shrawan
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