



BANK OF KATHMANDU LTD.

Disclosures under Basel III – Poush 2074

Capital Structure & Capital Adequacy as per Basel III

1. Tier 1 Capital and Breakdown of its Components :

Figures in NPR

SN	Particulars	Group	BOK
A	Core Capital (Tier 1)	10,961,033,475	10,823,380,785
1	Paid Up Capital	6,245,382,700	6,245,382,700
2	Irredeemable Non-cumulative preference shares	-	-
3	Share Premium	929,926,067	929,926,067
4	Proposed Bonus Shares	-	-
5	General Reserve Fund	1,693,935,497	1,693,935,497
6	Retained Earnings	1,270,075,431	1,270,075,431
7	Un-audited current year cumulative profit	551,537,297	551,578,688
8	Capital Redemption Reserve	-	-
9	Capital Adjustment Reserve	-	-
10	Dividend Equalization Reserves	-	-
11	Bond Redemption Reserve	300,000,000	300,000,000
12	Deferred Tax Reserve	-	-
13	Other Free Reserve	37,567,894	37,567,894
14	Deductions	(67,391,410)	(205,085,491)
	Less: Goodwill	(2,305,919)	-
	Less: Deferred Tax Asset	(52,485,491)	(52,485,491)
	Less: Investment in equity of institutions in excess of limits	(12,600,000)	(12,600,000)
	Less: Investment in equity of institutions with financial interests	-	(140,000,000)

2. Tier 2 Capital and Breakdown of its Components

Figures in NPR

SN	Particulars	Group	BOK
B	Supplementary Capital (Tier 2)	1,513,906,169	1,513,906,169
1	Cumulative and/or Redeemable Preference Share		
2	Unsecured Subordinated Term Debt	721,424,658	721,424,658
4	Hybrid Capital Instruments		
5	General Loan Loss Provision	715,922,783	715,922,783
6	Exchange Fluctuation Reserve	63,176,612	63,176,612
7	Investment Adjustment Reserve	2,420,233	2,420,233
8	Assets Revaluation Reserve		
9	Other Reserves	10,961,884	10,961,884
10	Reserve for Capital Expenditure		



BANK OF KATHMANDU LTD.

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 : 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

Figures in NPR

SN	Particulars	Group	BOK
1	Goodwill	2,305,919	-
2	Deferred Tax Asset	52,485,491	52,485,491
3	Investment in equity of institutions in excess of limits	12,600,000	12,600,000
4	Investment in equity of institutions with financial interests	-	140,000,000
	Total	67,391,410	205,085,491

5. Total Qualifying Capital

Figures in NPR

SN	Particulars	Group	BOK
1	Core Capital (Tier 1)	10,961,033,475	10,823,380,785
2	Supplementary Capital (Tier 2)	1,513,906,169	1,513,906,169
	TOTAL	12,474,939,644	12,337,286,955



BANK OF KATHMANDU LTD.

6. Capital Adequacy Ratio

Figures in NPR

RISK WEIGHTED EXPOSURES		Group	BOK
a	Risk Weighted Exposure for Credit Risk	72,078,378,837	72,253,906,672
b	Risk Weighted Exposure for Operational Risk	3,703,361,017	3,703,361,017
c	Risk Weighted Exposure for Market Risk	1,340,064,167	1,340,064,167
Total (a+b+c)		77,121,804,021	77,297,331,856
<u>Adjustments under Pillar II</u>			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	1,002,964,188	1,002,964,188
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 2% of RWE	1,542,436,080	1,545,946,637
Total Risk Weighted Exposures (After Bank's adjustment for Pillar II)		79,667,204,290	79,846,242,681
Total Tier I Capital Fund		10,961,033,475	10,823,380,785
Total Capital Fund		1,513,906,169	1,513,906,169
Common Equity Tier 1 Capital to Total Risk Weighted Exposures		13.76%	13.56%
Total Tier 1 Capital to Total Risk Weighted Exposures		13.76%	13.56%
Total Capital Fund to Total Risk Weighted Exposure		15.66%	15.45%

7. Risk Weighted Exposures under each of 11 categories of Credit Risk

Figures in NPR

SN	Particulars	Group	BOK
1	Claims on government & central bank	-	-
2	Claims on other official entities	129,200,292	129,200,292
3	Claims on banks	1,028,655,052	1,015,407,635
4	Claims on domestic corporate and securities firms	40,292,397,387	40,292,397,387
5	Claims on regulatory retail portfolio	7,239,987,189	7,239,987,189
6	Claims secured by residential properties	2,040,656,301	2,040,656,301
7	Claims secured by commercial real estate	326,318,140	326,318,140
8	Past due claims	1,740,480,090	1,740,480,090
9	High risk claims	11,507,429,900	11,717,429,900
10	Other assets	2,219,818,612	2,198,593,864
11	Off balance sheet items	5,553,435,874	5,553,435,874
TOTAL		72,078,378,837	72,253,906,672



BANK OF KATHMANDU LTD.

8. 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		



BANK OF KATHMANDU LTD.

9. 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	(442,311.25)	101.50	(44,894,591.88)	44,894,591.88
2	EUR	80,760.95	123.27	9,955,402.31	9,955,402.31
3	GBP	(61.04)	138.81	(8,472.96)	8,472.96
4	CHF	32,177.99	104.29	3,355,842.58	3,355,842.58
5	AUD	16,436.64	79.89	1,313,123.17	1,313,123.17
6	CAD	27,213.83	81.08	2,206,497.34	2,206,497.34
7	SGD	31,641.00	76.18	2,410,411.38	2,410,411.38
8	JPY	6,542,981.22	0.91	5,954,112.91	5,954,112.91
9	CNY	262,977.34	15.40	4,049,851.04	4,049,851.04
10	SAR	144,552.00	26.96	3,897,121.92	3,897,121.92
11	QAR	33,946.00	27.73	941,322.58	941,322.58
12	THB	10,150.00	3.11	31,566.50	31,566.50
13	AED	12,011.00	27.09	325,377.99	325,377.99
14	MYR	51,510.00	25.40	1,308,354.00	1,308,354.00
15	KRW	2,580,000.00	0.09	242,004.00	242,004.00
16	SEK	-	12.36	-	-
17	DKK	144,787.11	16.52	2,391,883.06	2,391,883.06
18	HKD	37,820.00	12.91	488,256.20	488,256.20
19	KWD	737.25	335.31	247,207.30	247,207.30
20	BHD	110.00	268.09	29,489.90	29,489.90
21	INR	1,622,548,403.09	1.60	2,596,077,444.94	2,596,077,444.94
Total Open Position (a)-				2,590,322,204.27	2,680,128,333.94
Fixed Percentage (b)-					5%
Capital Charge for Market Risk [c=(a×b)]-					134,006,416.70
Risk Weight (reciprocal of capital requirement of 10%) in times (d)-					10.00
Equivalent Risk Weight Exposure [e=(c×d)]-					1,340,064,166.97

10. Amount of NPAs

Figures in NPR

SN	Loan Classification	Gross Amount	Provision Held	Net Amount
1	Restructured/ Rescheduled Loan	-	-	-
2	Substandard Loan	555,142,194	138,785,549	416,356,645
3	Doubtful Loan	190,368,826	95,184,413	95,184,413
4	Bad Loan	1,287,515,335	1,287,515,335	-
	TOTAL	2,033,026,355	1,521,485,297	511,541,058



BANK OF KATHMANDU LTD.

11. NPA Ratios

Gross NPA to Gross Advances	1.86%
Net NPA to Net Advances	0.82%

12. Movement of Non-Performing Assets

Figures in NPR

SN	Loan Classification	Previous Quarter	This Quarter	Changes	
				Amount	%
1	Restructured/ Rescheduled Loan	-	-	-	
2	Substandard Loan	602,829,361	555,142,194	(47,687,167)	-7.91%
3	Doubtful Loan	126,222,494	190,368,826	64,146,332	50.82%
4	Bad Loan	1,270,353,287	1,287,515,335	17,162,048	1.35%
	TOTAL	1,999,405,142	2,033,026,355	33,621,213	

13. Write Off of Loans & Interest Suspense

SN	Particulars	Amount
1	Loan written off this year	-
2	Interest Suspense written off this year	-
	Total	-

14. Movement in Loan Loss Provision & Interest Suspense

Figures in NPR

SN	Loan Classification	Previous Quarter	This Quarter	Changes	
				Amount	%
1	Loan Loss Provision	2,166,797,954	2,237,408,078	70,610,124	3.26%
2	Interest Suspense	409,528,440	414,190,655	4,662,215	1.14%

15. Details of Additional Loan Loss Provisions

Nil

16. Segregation of Investment Portfolio

SN	Particulars	Group	BOK
1	Held for Trading		
2	Held to Maturity	11,414,000,040	11,369,000,040
3	Available for sale	172,664,890	302,965,490
	Total Investment Portfolio	11,586,664,930	11,671,965,530



BANK OF KATHMANDU LTD.

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

SN	Particulars	Amount in NPR
1	Deposits with Bank	1,293,472,308.02
2	Gold	-
3	Govt. & NRB Securities	97,756,912.06
5	Guarantee of Foreign Banks	297,816,459.74
	TOTAL	1,689,045,679.82

18. 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:

- 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.

19. 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



BANK OF KATHMANDU LTD.

- 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.