



Disclosures under Basel III – Poush 2073

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)	8,214,629,147
1	Paid Up Capital	4,576,891,000
2	Irredeemable Non-cumulative preference shares	-
3	Share Premium	-
4	Proposed Bonus Shares	1,052,685,000
5	General Reserve Fund	1,693,935,497
6	Retained Earnings	16,661,596
7	Un-audited current year cumulative profit	601,447,306
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	(70,049,600)
	Less: Deferred Tax Asset	(57,449,600)
	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)	1,691,575,545
1	Cumulative and/or Redeemable Preference Share	-
2	Unsecured Subordinated Term Debt	867,397,260
3	Less: discounted for lesser tenure	-
4	Hybrid Capital Instruments	-
5	General Loan Loss Provision	721,169,128
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	18,468,886

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	(57,449,600)
Investment in equity of institutions in excess of limits	(12,600,000)
Total	(70,049,600)

5. Total Qualifying Capital

Figures in NPR

SN	Particulars	Amount
1	Core Capital (Tier 1)	8,214,629,147
2	Supplementary Capital (Tier 2)	1,691,575,545
	TOTAL	9,906,204,692

6. Capital Adequacy Ratio: 13.09%

7. Leverage Ratio: 8.04%

Particulars		Amount
A	Exposure Measure	102,210,776,320
	1. On balance sheet Assets (net of specific provisioning)	82,689,797,908
	2. Repurchase agreements and securities finance	
	3. Derivatives	
	4. Off balance sheet exposure	19,585,537,557
	Less : Regulatory Deductions from CET1 Capital (CAF 2.7 B.I.b)	(64,559,145)
B	Capital Measure	8,214,629,147
	1. Common Equity Tier 1 Capital (After regulatory Adjustment)	8,214,629,147
	2. Additional Tier 1 Capital	-
C	Leverage Ratio	8.04%



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	68,018,353,689
b	Risk Weighted Exposure for Operational Risk	2,874,105,779
c	Risk Weighted Exposure for Market Risk	1,243,075,834
Total Risk Weighted Exposures (a+b+c)		72,135,535,302
<u>Adjustments under Pillar II:</u>		
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: 4% of the total RWE due to overall risk factors		2,885,421,412
Total Risk Weighted Exposures (a+b+c)		75,667,328,345

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	201,968,425
3	Claims on banks	916,824,775
4	Claims on domestic corporate and securities firms	37,414,479,514
5	Claims on regulatory retail portfolio	8,247,920,455
6	Claims secured by residential properties	2,249,933,381
7	Claims secured by commercial real estate	324,456,059
8	Past due claims	720,539,540
9	High risk claims	11,597,434,442
10	Other assets	1,658,195,828
11	Off balance sheet items	4,686,601,268
	TOTAL	68,018,353,687



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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*e
Cash Balance	1,369,926,296	-	-	1,369,926,296	0%	-
Balance With Nepal Rastra Bank	5,301,550,532	-	-	5,301,550,532	0%	-
Investment in Nepalese Government Securities	8,903,547,084	-	-	8,903,547,084	0%	-
All Claims on Government of Nepal	208,662,713	-	-	208,662,713	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	300,000,000	-	-	300,000,000	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)	201,968,425	-	-	201,968,425	100%	201,968,425
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	967,989,598	-	-	967,989,598	20%	193,597,920
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	1,903,413,712	-	-	1,903,413,712	20%	380,682,742



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Claims on foreign bank (ECA Rating 2)	572,641,053	-	-	572,641,053	50%	286,320,527
Claims on foreign bank (ECA Rating 3-6)	46,798,213	-	-	46,798,213	100%	46,798,213
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	47,126,869	-	-	47,126,869	20%	9,425,374
Claims on Domestic Corporates	37,601,464,177	-	186,984,663	37,414,479,514	100%	37,414,479,514
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)	11,001,086,593	-	3,859,319	10,997,227,274	75%	8,247,920,455
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	3,749,888,968	-	-	3,749,888,968	60%	2,249,933,381
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	98,591,441	35,469,841	-	63,121,600	100%	63,121,600
Claims secured by Commercial real estate	324,456,059	-	-	324,456,059	100%	324,456,059
Past due claims (except for claims secured by residential properties)	1,871,503,191	1,432,724,568	499,997	438,278,627	150%	657,417,940
High Risk claims	7,731,323,667	-	126,651,622	7,604,672,045	150%	11,407,008,067
Investments in equity and other capital instruments of institutions listed in stock exchange	71,956,900	-	-	71,956,900	100%	71,956,900
Investments in equity and other capital instruments of institutions not listed in the stock exchange	78,979,650	-	-	78,979,650	150%	118,469,475
Staff Loan secured by Residential Properties	205,942,675	-	-	205,942,675	60%	123,565,605
Interest Receivable/Claim on Government Securities	64,544,277	-	-	64,544,277	0%	-
Cash in Transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets (as per attachment)	1,851,115,581	316,485,358	-	1,534,630,223	100%	1,534,630,223
TOTAL (A)	84,474,477,675	1,784,679,767	317,995,601	82,371,802,307		63,331,752,420



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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*e
Revocable Commitments			-	-	0%	-
Bills Under Collection	373,355,162		-	373,355,162	0%	-
Forward Exchange Contract Liabilities	3,380,446,355		-	3,380,446,355	10%	338,044,636
LC Commitments With Original Maturity Upto 6 months domestic counterparty	2,061,130,599		229,074,890	1,832,055,709	20%	366,411,142
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	298,333,298		21,684,659	276,648,640	50%	138,324,320
LC Commitments With Original Maturity Over 6 months domestic counterparty	448,052,692		-	448,052,692	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	2,178,123,750		90,138,387	2,087,985,362	50%	1,043,992,681
foreign counterparty (ECA Rating 0-1)	276,389,425		217,848,275	58,541,151	20%	11,708,230
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	235,452,215		22,803,977	212,648,238	100%	212,648,238
Advance Payment Guarantee	-		-	-	0%	-
Financial Guarantee				-	100%	-



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Other Guarantee	-		-	-	100%	-
Acceptances and Endorsements	547,132,223		58,641,856	488,490,367	100%	488,490,367
Unpaid portion of Partly paid shares and Securities	-		-	-	100%	-
Irrevocable Credit commitments (short term)	9,545,957,668		-	9,545,957,668	20%	1,909,191,534
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	67,803,380		-	67,803,380	20%	13,560,676
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)	19,585,537,557	-	673,988,231	18,911,549,326		4,686,601,268
Total RWE for Credit Risk before adjustment (A) +(B)	104,060,015,232	1,784,679,767	991,983,832	101,283,351,633		68,018,353,689
<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	104,060,015,232	1,784,679,767	991,983,832	101,283,351,633		68,018,353,689



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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=(a×b)]	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=(d×e)]	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	(551,920.65)	108.85	(60,076,562.75)	60,076,562.75
2	GBP	(847.86)	131.77	(111,722.51)	111,722.51
3	CHF	12,949.59	107.13	1,387,289.58	1,387,289.58
4	AUD	2,381.01	81.02	192,909.43	192,909.43
5	CAD	4,090.59	82.24	336,410.12	336,410.12
6	SGD	12,262.58	75.82	929,748.82	929,748.82
7	JPY	(205,845.60)	0.94	(193,906.56)	193,906.56
8	SAR	175,211.00	28.90	5,063,597.90	5,063,597.90
9	QAR	58,473.00	29.75	1,739,571.75	1,739,571.75
10	AED	25,340.00	29.05	736,127.00	736,127.00
11	THB	95,820.00	3.01	288,418.20	288,418.20
12	MYR	54,436.00	24.23	1,318,984.28	1,318,984.28
13	KRW	1,275,000.00	0.09	115,515.00	115,515.00
14	CNY	257,173.54	15.46	3,975,902.93	3,975,902.93
15	EUR	8,726.87	115.01	1,003,677.32	1,003,677.32
16	HKD	14,300.00	13.97	199,771.00	199,771.00
17	DKK	(41,536.08)	15.45	(641,732.44)	641,732.44
18	SEK	-	11.91	-	-
19	KWD	456.75	354.46	161,899.61	161,899.61
20	BHD	-	286.98	-	-
21	INR	1,504,798,700.57	1.60	2,407,677,920.91	2,407,677,920.91
Total Open Position (a)				2,364,103,819.58	2,486,151,668.09
Fixed Percentage (b)					5%
Capital Charge for Market Risk [c=(a×b)]					124,307,583
Risk Weight (reciprocal of capital requirement of 10%) in times (d)					10
Equivalent Risk Weight Exposure [e=(c×d)]					1,243,075,834

Total Risk weighted Exposures

Figures in NPR

SN	Particulars	Amount
1	Total Risk Weighted Exposure	75,667,328,345
2	Total Core Capital Fund (Tier 1)	8,214,629,147
3	Total Capital Fund (Tier 1 & Tier 2)	9,906,204,692
4	Total Core Capital to Total Risk Weighted Exposures	10.86%
5	Total Capital to Total Risk Weighted Exposures	13.09%
6	Leverage Ratio	8.04%



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2. Amount of NPAs

Figures in NPR

SN	Loan Classification	Gross Amount	Provision Held	Net Amount
1	Restructured/ Rescheduled Loan	-	-	-
2	Substandard Loan	359,183,949	89,795,987	269,387,961
3	Doubtful Loan	87,338,944	43,669,472	43,669,472
4	Bad Loan	490,951,154	490,951,154	-
	TOTAL	937,474,047	624,416,613	313,057,433

2. NPA Ratios

Gross NPA to Gross Advances	1.51%
Net NPA to Net Advances	0.52%

6. Movement of Non-Performing Assets (Ashwin 2073 vs Poush 2073)

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	252,495,448	105,030,799	1,657,701	359,183,949
3	Doubtful Loan	41,560,750	45,836,040	(57,846)	87,338,944
4	Bad Loan	537,692,392	6,834,834	(53,576,072)	490,951,154
	Total	61,476,337,573	1,980,431,614	(667,823,954)	62,788,945,234

7. Write Off of Loans & Interest Suspense (Ashwin 2073 vs Poush 2073)

8. Movement in Loan Loss Provision & Interest Suspense

i. Movement in Loan Loss Provision (Ashwin 2073 vs Poush 2073)

Figures in NPR

SN	Loan Loss Provision	Opening Balance	Increment during the period	Reduction during the period	Closing Balance
1	Pass Loan	570,574,673	25,317,236	(5,838,023)	590,053,885
2	Watch List	151,350,475	(18,632,963)	(1,602,270)	131,115,242
3	Restructured/Rescheduled Loan	-	-	-	-
4	Sub-Standard Loan	63,123,862	26,257,700	414,425	89,795,987
5	Doubtful Loan	20,780,375	22,918,020	(28,923)	43,669,472
6	Bad Loan	1,381,470,188	6,834,834	(53,576,072)	1,334,728,950
	Total	2,187,299,573	62,694,827	(60,630,863)	2,189,363,537



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ii. Movement in Interest Suspense (Ashwin 2073 vs Poush 2073)

Figures in NPR

Particulars	Opening Balance	Increment during the period	Reduction during the period	Closing Balance
Interest Suspense	296,322,524.47	161,016,616.50	180,172,630.14	277,166,510.83

9. Details of Additional Loan Loss Provisions

Customer Name	Amount
Neoteric Nepal Pvt. Ltd.	6,200,000.00

10. Segregation of Investment Portfolio

SN	Investment Category	Amount as on (Poush End 2073 NPR)
1	Held for Trading	-
2	Held to Maturity	11,517,233,828
3	Available for Sale	150,936,550
		11,668,170,378

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

SN	Particulars	Amount in NPR
1	Deposits with Bank	669,354,286
2	Gold	-
3	Govt. & NRB Securities	83,353,149
5	Guarantee of Foreign Banks	239,276,396
	TOTAL	991,983,831

12 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



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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.

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, 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.