



BANK OF KATHMANDU LTD.



बैंक अफ काठमाण्डू लिमिटेड
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Disclosures under Basel III –Ashwin 2076

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)	13,057,763,181	12,923,045,456
1	Paid Up Capital	8,063,101,335	8,063,101,335
2	Irredeemable Non-cumulative preference shares	-	-
3	Share Premium	-	-
4	Proposed Bonus Shares	-	-
5	General Reserve Fund	2,600,034,799	2,600,034,799
6	Retained Earnings	1,230,949,217	1,230,949,217
7	Un-audited current year cumulative profit	381,646,356	383,725,361
8	Capital Redemption Reserve	-	-
9	Capital Adjustment Reserve	-	-
10	Dividend Equalization Reserves	-	-
11	Bond Redemption Reserve	800,000,000	800,000,000
12	Deferred Tax Reserve	-	-
13	Other Free Reserve	164,075	164,075
14	Deductions	(18,132,600)	(154,929,330)
	Less: Goodwill	(2,193,273)	-
	Less: Intangible Assets	(15,939,327)	(14,929,330)
	Less: Deferred Tax Asset	-	-
	Less: Investment in equity of institutions in excess of limits	-	-
	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)	1,011,126,576	1,011,126,576
1	Cumulative and/or Redeemable Preference Share		
2	Unsecured Subordinated Term Debt	210,000,000	210,000,000
4	Hybrid Capital Instruments		
5	General Loan Loss Provision	720,747,349	720,747,349
6	Exchange Fluctuation Reserve	69,417,344	69,417,344
7	Investment Adjustment Reserve	-	-
8	Assets Revaluation Reserve		
9	Other Reserves	10,961,884	10,961,884
10	Reserve for Capital Expenditure		



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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	2,193,273	-
2	Intangible Assets	15,939,327	14,929,330
3	Deferred Tax Asset	-	-
4	Investment in equity of institutions in excess of limits	-	-
5	Investment in equity of institutions with financial interests	-	140,000,000
	Total	18,132,600	154,929,330

5. Total Qualifying Capital

Figures in NPR

SN	Particulars	Group	BOK
1	Core Capital (Tier 1)	13,057,763,181	12,923,045,456
2	Supplementary Capital (Tier 2)	1,011,126,576	1,011,126,576
	TOTAL	14,068,889,757	13,934,172,032



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6. Capital Adequacy Ratio

Figures in NPR

RISK WEIGHTED EXPOSURES		Group	BOK
a	Risk Weighted Exposure for Credit Risk	85,319,465,159	85,292,618,831
b	Risk Weighted Exposure for Operational Risk	5,537,334,094	5,511,158,388
c	Risk Weighted Exposure for Market Risk	1,681,574,156	1,681,574,156
Total (a+b+c)		92,538,373,409	92,485,351,375
<i>Adjustments under Pillar II</i>			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	1,312,732,869	1,305,787,840
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 4% of RWE	3,699,414,055	3,699,414,055
Total Risk Weighted Exposures (After Bank's adjustment for Pillar II)		97,550,520,333	97,490,553,270
Total Tier I Capital Fund		13,057,763,181	12,923,045,456
Total Capital Fund		14,068,889,757	13,934,172,032
Common Equity Tier 1 Capital to Total Risk Weighted Exposures		13.39%	13.26%
Total Tier 1 Capital to Total Risk Weighted Exposures		13.39%	13.26%
Total Capital Fund to Total Risk Weighted Exposure		14.42%	14.29%

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	238,978,688	238,978,688
3	Claims on banks	1,026,239,012	1,026,077,119
4	Claims on domestic corporate and securities firms	53,877,844,626	53,877,844,626
5	Claims on regulatory retail portfolio	7,216,707,552	7,216,707,552
6	Claims secured by residential properties	1,773,487,502	1,773,487,502
7	Claims secured by commercial real estate	509,398,202	509,398,202
8	Past due claims	1,960,550,946	1,960,550,946
9	High risk claims	9,171,328,464	9,381,328,464
10	Lending against securities (bonds & shares)	1,048,204,058	1,048,204,058
11	Other assets	2,489,755,959	2,253,071,524
12	Off balance sheet items	6,006,970,149	6,006,970,149
	TOTAL	85,319,465,159	85,292,618,831



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8. Risk Weighted Exposure for Operational Risk

Figures in NPR

S.N.	Particulars	FY 2075/76	FY 2074/75	FY 2073/74
		Year 1	Year 2	Year 3
1	Net Interest Income	3,779,891,916	3,059,125,718	2,566,044,900
2	Commission and Discount Income	460,155,215	489,638,345	167,026,335
3	Other Operating Income	100,234,318	140,655,543	301,292,939
4	Exchange Fluctuation Income	322,251,407	225,710,974	230,345,442
5	Addition/Deduction in Interest Suspense during the period	125,834,726	79,674,453	77,878,798
	Gross income (a)	4,788,367,582	3,994,805,033	3,342,588,414
	Alfa (b)	15%	15%	15%
	Fixed Percentage of Gross Income [c=(a×b)]	718,255,137	599,220,755	501,388,262
	Capital Requirement for operational risk (d) (average of c)	606,288,051		
	Risk Weight (reciprocal of capital requirement of 10%) in times (e)	9.09		
	Equivalent Risk Weight Exposure [f=(d×e)]	5,511,158,388		
	<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	9.09		
	Equivalent Risk Weight Exposure (g)	0		
	Equivalent Risk Weight Exposure [h=f+g]	5,511,158,388		



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9. Risk Weighted Exposure for Market Risk

S.No.	Currency	Open Position (FCY)	Exchange rate	Open Position (NPR)	Relevant Open Position
1	USD	(216,578.89)	113.90	(24,668,335.57)	24,668,335.57
2	EUR	6,927.15	125.65	870,396.40	870,396.40
3	GBP	844.34	145.42	122,783.92	122,783.92
4	CHF	797.83	114.10	91,032.40	91,032.40
5	AUD	39,495.29	76.89	3,036,792.85	3,036,792.85
6	CAD	5,297.28	85.82	454,612.57	454,612.57
7	SGD	1,252.06	82.80	103,670.57	103,670.57
8	JPY	(187,789.39)	1.04	(195,864.33)	195,864.33
9	CNY	281,702.60	15.73	4,431,181.90	4,431,181.90
10	SAR	52,167.00	30.25	1,578,051.75	1,578,051.75
11	QAR	15,461.00	31.12	481,146.32	481,146.32
12	THB	25,660.00	3.68	94,428.80	94,428.80
13	AED	14,805.00	30.40	450,072.00	450,072.00
14	MYR	6,779.00	27.02	183,168.58	183,168.58
15	KRW	2,106,000.00	0.09	198,385.20	198,385.20
16	SEK	-	11.42	-	-
17	DKK	67,979.25	16.80	1,142,051.40	1,142,051.40
18	HKD	4,630.00	14.45	66,903.50	66,903.50
19	KWD	35.25	373.50	13,165.88	13,165.88
20	BHD	1.50	300.91	451.37	451.37
21	INR	2,288,531,644.97	1.60	3,661,650,631.95	3,661,650,631.95
Total Open Position (a)				3,650,104,727.44	3,699,833,127.25
Fixed Percentage (b)				-	5%
Capital Charge for Market Risk [c=(a×b)]				-	184,991,656.36
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				-	9.09
Equivalent Risk Weight Exposure [e=(c×d)]				-	1,681,574,156.34

Figures in NPR

10. Amount of NPAs

Figures in NPR

SN	Loan Classification	Gross Amount	Provision Held	Net Amount
1	Restructured/ Rescheduled Loan	22,399,393	2,799,924	19,599,469
2	Substandard Loan	373,668,355	92,668,987	280,999,368



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3	Doubtful Loan	148,166,328	74,569,050	73,597,279
4	Bad Loan	1,636,437,237	1,633,707,384	2,729,853
	TOTAL	2,180,671,314	1,803,745,345	376,925,969

11. NPA Ratios

Gross NPA to Gross Advances	1.73%
Net NPA to Net Advances	0.50%

12. Movement of Non-Performing Assets

Figures in NPR

SN	Loan Classification	Previous Quarter	This Quarter	Changes	
				Amount	%
1	Restructured/ Rescheduled Loan	22,748,279	22,399,393	(348,886)	-1.53%
2	Substandard Loan	223,005,354	373,668,355	150,663,001	67.56%
3	Doubtful Loan	94,020,905	148,166,328	54,145,423	57.59%
4	Bad Loan	1,660,479,968	1,636,437,237	(24,042,731)	-1.45%
	TOTAL	2,000,254,507	2,180,671,314	180,416,807	

13. Write Off of Loans & Interest Suspense Nil

14. Movement in Loan Loss Provision & Interest Suspense

Figures in NPR

SN	Loan Classification	Previous Quarter	This Quarter	Changes	
				Amount	%
1	Loan Loss Provision	2,616,982,944	2,716,579,626	99,596,683	3.81%
2	Interest Suspense	513,850,759	858,434,791	344,584,032	67.06%

15. Details of Additional Loan Loss Provisions Nil

16. Segregation of Investment Portfolio

Amount in NPR

SN	Particulars	Group	BOK
1	Trading Assets	183,606,005	12,760,000
2	Investment Securities measured at Amortized Cost (Held to Maturity)	16,535,323,649	16,535,323,649
3	Investment in Equity measured at FVTOCI (Available for sale)*	970,391,446	1,110,391,446
	Total Investment Portfolio	17,689,321,100	17,658,475,095

*Net of fair value adjustment



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

SN	Particulars	Amount in NPR
1	Deposits with Bank	1,285,544,067.76
2	Gold	-
3	Govt. & NRB Securities	63,113.27
5	Guarantee of Foreign Banks	54,449,645.07
	TOTAL	1,340,056,826.10

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:



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- 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.