



# BANK OF KATHMANDU LTD.



बैंक अफ काठमाण्डू लिमिटेड  
**BANK OF KATHMANDU LTD.**  
*we make your life easier*

## Disclosures under Basel III –Asadh 2077

### Capital Structure & Capital Adequacy as per Basel III

#### 1. Tier 1 Capital and Breakdown of its Components :

Figures in NPR

SN	Particulars	Group	BOK
<b>A</b>	<b>Core Capital (Tier 1)</b>	<b>13,120,397,283</b>	<b>12,981,904,285</b>
1	Paid Up Capital	8,546,887,415	8,546,887,415
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	74,415,203	74,415,203
7	Un-audited current year cumulative profit	1,118,363,100	1,117,099,033
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	(19,467,309)	(156,696,240)
	Less: Goodwill	(2,193,273)	-
	Less: Intangible Assets	(17,274,036)	(16,696,240)
	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>B</b>	<b>Supplementary Capital (Tier 2)</b>	<b>883,136,275</b>	<b>883,136,275</b>
1	Cumulative and/or Redeemable Preference Share	-	-
2	Unsecured Subordinated Term Debt	120,000,000	120,000,000
4	Hybrid Capital Instruments	-	-
5	General Loan Loss Provision	682,757,047	682,757,047
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 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	17,274,036	16,696,240
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
	<b>Total</b>	<b>19,467,309</b>	<b>156,696,240</b>

### 5. Total Qualifying Capital

*Figures in NPR*

SN	Particulars	Group	BOK
1	Core Capital (Tier 1)	13,120,397,283	12,981,904,285
2	Supplementary Capital (Tier 2)	883,136,275	883,136,275
	<b>TOTAL</b>	<b>14,003,533,557</b>	<b>13,865,040,560</b>



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## 6. Capital Adequacy Ratio

Figures in NPR

RISK WEIGHTED EXPOSURES		Group	BOK
a	Risk Weighted Exposure for Credit Risk	86,257,472,644	86,185,589,395
b	Risk Weighted Exposure for Operational Risk	5,537,334,094	5,511,158,388
c	Risk Weighted Exposure for Market Risk	1,644,016,516	1,644,016,516
<b>Total (a+b+c)</b>		<b>93,438,823,254</b>	<b>93,340,764,299</b>
<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	3,733,630,572	3,733,630,572
<b>Total Risk Weighted Exposures (After Bank's adjustment for Pillar II)</b>		<b>98,485,186,695</b>	<b>98,380,182,711</b>
Total Tier I Capital Fund		<b>13,120,397,283</b>	<b>12,981,904,285</b>
Total Capital Fund		<b>14,003,533,557</b>	<b>13,865,040,560</b>
Common Equity Tier 1 Capital to Total Risk Weighted Exposures		<b>13.32%</b>	<b>13.20%</b>
Total Tier 1 Capital to Total Risk Weighted Exposures		<b>13.32%</b>	<b>13.20%</b>
Total Capital Fund to Total Risk Weighted Exposure		<b>14.22%</b>	<b>14.09%</b>

## 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	241,837,595	241,837,595
3	Claims on banks	1,641,897,351	1,626,792,641
4	Claims on domestic corporate and securities firms	53,448,862,914	53,448,862,914
5	Claims on regulatory retail portfolio	6,835,975,403	6,835,975,403
6	Claims secured by residential properties	1,703,285,610	1,703,285,610
7	Claims secured by commercial real estate	515,200,837	515,200,837
8	Past due claims	1,882,381,016	1,882,381,016
9	High risk claims	8,745,372,516	8,955,372,516
10	Lending against securities (bonds & shares)	1,465,587,633	1,465,587,633
11	Other assets	3,538,529,645	3,271,751,106
12	Off balance sheet items	6,238,542,123	6,238,542,123
	<b>TOTAL</b>	<b>86,257,472,644</b>	<b>86,185,589,396</b>



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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
	<b>Gross income (a)</b>	<b>4,788,367,582</b>	<b>3,994,805,033</b>	<b>3,342,588,414</b>
	<b>Alfa (b)</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>
	<b>Fixed Percentage of Gross Income [c=(a×b)]</b>	<b>718,255,137</b>	<b>599,220,755</b>	<b>501,388,262</b>
	<b>Capital Requirement for operational risk (d) (average of c)</b>	<b>606,288,051</b>		
	<b>Risk Weight (reciprocal of capital requirement of 10%) in times (e)</b>	<b>9.09</b>		
	<b>Equivalent Risk Weight Exposure [f=(d×e)]</b>	<b>5,511,158,388</b>		
	<i>Adjustments under Pillar II</i>			
	<b>If Gross Income for the last three years in negative</b>	NA		
	Total Credit and Investment (net of Specific Provision)	NA		
	Capital Requirement for Operational Risk (5%)			
	<b>Risk Weight (reciprocal of capital requirement of 10%) in times</b>	9.09		
	<b>Equivalent Risk Weight Exposure (g)</b>	0		
	<b>Equivalent Risk Weight Exposure [h=f+g]</b>	<b>5,511,158,388</b>		



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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	(44,724)	120	(5,378,055)	5,378,055
2	EUR	2,587	136	352,796	352,796
3	GBP	3,639	151	548,115	548,115
4	CHF	8,926	127	1,135,517	1,135,517
5	AUD	26,956	83	2,250,279	2,250,279
6	CAD	807	88	71,028	71,028
7	SGD	6,714	86	577,531	577,531
8	JPY	1,934,978	1	2,159,435	2,159,435
9	CNY	303,555	17	5,108,835	5,108,835
10	SAR	16,338	30	497,002	497,002
11	QAR	8,651	32	274,496	274,496
12	THB	154,380	4	552,680	552,680
13	AED	19,435	31	603,262	603,262
14	MYR	3,625	27	97,513	97,513
15	KRW	1,400,000	0	137,340	137,340
16	SEK	-	13	-	-
17	DKK	68,706	18	1,255,255	1,255,255
18	HKD	3,670	15	56,224	56,224
19	KWD	50	388	19,500	19,500
20	BHD	2	317	476	476
21	INR	2,247,576,696	2	3,596,122,714	3,596,122,714
<b>Total Open Position (a)</b>				<b>3,606,441,945</b>	<b>3,617,198,055</b>
Fixed Percentage (b)				-	5%
Capital Charge for Market Risk [c=(a×b)]				-	180,859,903
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				-	9.09
Equivalent Risk Weight Exposure [e=(c×d)]				-	1,644,016,516

Figures in NPR

## 10. Amount of NPAs

Figures in NPR

SN	Loan Classification	Gross Amount	Provision Held	Net Amount
1	Restructured/ Rescheduled Loan	-	-	-
2	Substandard Loan	849,566,577	211,508,900	638,057,677



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3	Doubtful Loan	288,269,367	142,447,162	145,822,205
4	Bad Loan	1,601,127,394	1,597,978,494	3,148,900
	<b>TOTAL</b>	<b>2,738,963,338</b>	<b>1,951,934,556</b>	<b>787,028,781</b>

### 11. NPA Ratios

Gross NPA to Gross Advances	2.35%
Net NPA to Net Advances	1.01%

### 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	352,846,655	849,566,577	496,719,922	140.78%
3	Doubtful Loan	139,797,247	288,269,367	148,472,120	106.21%
4	Bad Loan	1,627,846,384	1,601,127,394	(26,718,990)	-1.64%
	<b>TOTAL</b>	<b>2,120,490,286</b>	<b>2,738,963,338</b>	<b>618,473,052</b>	

### 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	3,423,533,730	3,150,617,674	(272,916,056)	-7.97%
2	Interest Suspense	1,727,127,834	1,082,108,876	(645,018,958)	-37.35%

### 15. Details of Additional Loan Loss Provisions Nil

### 16. Segregation of Investment Portfolio

Amount in NPR

SN	Particulars	Group	BOK
1	Trading Assets	169,906,384	10,260,000
2	Investment Securities measured at Amortized Cost (Held to Maturity)	15,488,803,670	15,468,803,670
3	Investment in Equity measured at FVTOCI (Available for sale)*	914,886,285	1,054,886,285
	<b>Total Investment Portfolio</b>	<b>16,573,596,339</b>	<b>16,533,949,955</b>

\*Net of fair value adjustment



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

<b>SN</b>	<b>Particulars</b>	<b>Amount in NPR</b>
1	Deposits with Bank	1,037,240,231
2	Gold	-
3	Govt. & NRB Securities	-
5	Guarantee of Foreign Banks	47,881,349
	<b>TOTAL</b>	<b>1,085,121,580</b>

### **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.



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### **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, 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 1<sup>st</sup> 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.