



Kumari Bank Limited
Disclosure Under Basel II as at 16 Oct 2016

Capital Structure and Capital Adequacy

Tier I Capital and breakdown of its components

	Particular	Amount
a	Paid up Equity Share Capital	2,699,166,532
b	Irredeemable Non-cumulative preference shares	-
c	Share Premium	-
d	Proposed Bonus Equity Shares	-
e	Statutory General Reserves	546,371,157
f	Retained Earnings	729,494,304
g	Un-audited current year cumulative profit/(loss)	137,435,868
h	Capital Redemption Reserve	-
i	Capital Adjustment Reserve	44,412,519
j	Dividend Equalization Reserves	-
k	Other Free Reserve	-
l	Less - Deferred Tax Fund	-
	Less: Purchase of land & building in excess of limit and unutilized	88,489,885
	Total Tier I Capital	4,068,390,493

Tier II Capital and breakdown of its components

	Particular	Amount
a	Cumulative and/or Redeemable Preference Share	-
b	Subordinated Term Debt	-
c	Hybrid Capital Instruments	-
d	General Loan Loss Provision	349,382,552
e	Exchange Equalization Reserve	23,972,027
f	Investment Adjustment Reserve	20,000,000
g	Assets Revaluation Reserve	-
h	Other Reserves	-
	Total Tier II Capital	393,354,579
	Total Capital Fund (Tier I and Tier II)	4,461,745,073

Deductions from Capital:

The bank does not hold any amount as stipulated in the Capital Adequacy Framework that qualifies for deduction from Capital.

Total Qualifying Capital

	Particular	Amount
a	Tier I Capital	4,068,390,493
b	Tier II Capital	393,354,579
	Total Capital Fund	4,461,745,073

Capital Adequacy Ratios

S.N.	Particular	Current Year (%)
a	Tier I Capital to total RWA	10.33
b	Total Capital Fund (Tier I + Tier 2) to Total RWA	11.33

Risk Exposures

Risk weighted exposures under each 11 categories of Credit Risk:

S. No.	Particular	Amount
a	Claims on government and central bank	-
b	Claims on other official entities	-
c	Claims on banks	1,233,985,991
d	Claims on Corporate and securities firms	19,140,294,876
e	Regulatory Retail Portfolio	4,115,668,976
f	Claims secured by residential properties	1,979,657,919
g	Claims secured by Commercial real estate	862,794,802
h	Past due claims	217,078,515
i	High Risk claims	4,538,235,756
j	Other Assets	524,090,777
k	Off Balance Sheet Exposures	2,676,184,638
	Total	35,287,992,249

Risk Weighted Exposures for Credit Risk, Market Risk and Operational Risk

S. No.	Particular	Amount
1	Risk Weighted Exposure for Credit Risk	35,287,992,249
2	Risk Weighted Exposure for Operational Risk	1,900,467,511
3	Risk Weighted Exposure for Market Risk	123,704,757
	Total Risk Weighted Exposures	37,312,164,516
	% of Total Deposit due to Insufficient Liquid Assets	-
	Addition to RWE as per supervisory review (3%)	1,492,486,581
	Add: 2% Capital Charge according to New Capital Adequacy Framework	580,000,000
	Total Risk Weighted Exposures	39,384,651,097

Total Risk Weighted Exposure Calculation Table

S. No.	Particular	Amount
1	Risk Weighted Exposure for Credit Risk	35,287,992,249
2	Risk Weighted Exposure for Operational Risk	1,900,467,511
3	Risk Weighted Exposure for Market Risk	123,704,757
4	Total Risk Weighted Exposures	37,312,164,516
	% of Total Deposit due to Insufficient Liquid Assets	-
	Addition to RWE as per supervisory review (3%)	1,492,486,581
	Add: 2% Capital Charge according to New Capital Adequacy Framework as per 6.4a7	580,000,000
	Total Risk Weighted Exposures	39,384,651,097
5	Total Capital Fund	4,461,745,073
6	Capital Fund to Risk Weighted Exposure	11.33

Amount of Non Performing Loan (Gross and Net)

S. NO.	Loan Type	Gross Amount	Provision	Net Amount
1	Restructure/Reschedule Loan	-	-	-
2	Substandard Loan	93,921,164	23,480,291	70,440,873
3	Doubtful Loan	25,433,719	12,716,859	12,716,859
4	Loss Loan	290,633,994	290,633,994	-

NPA Ratios

S. NO.	Particulars	(%)
1	Gross NPAs to Gross Advances	1.26
2	Net NPAs to Net Advances	0.26

Movement of Non Performing Assets

S. NO.	Particular	Previous Quarter	Current Quarter	Additional / (Write back)
1	Non Performing Loans	345,356,160	409,988,877	64,632,718

Write Off of Loan and Interest Suspense

S. NO.	Particular	Amount
1	Loan Write Off	-
2	Interest Suspense Write Off	-

Movement of Loan Loss Provision and Interest Suspense

S. NO.	Particular	Previous Quarter	Current Quarter	Additional
1	Loan Loss Provision	624,939,787	676,213,696	51,273,910
2	Interest Suspense	141,107,028	179,218,148	38,111,120

i. Details of additional loan loss provision

Current year's amount in Rs.

S.N.	Loan Classification	Additional Provision
1	Pass	20,501,362
2	Watch list	14,869,071
2	Restructured / Reschedule	-
3	Sub - Standard	15,631,623
4	Doubtful	1,834,373
5	Loss	(1,562,518)
	Total	51,273,910

j. Segregation of investment portfolio

Amount in Rs.

S.N.	Investment category	Current Year
1	Held for trading	-
2	Held to maturity	5,989,605,400
3	Available for sale	29,458,608
	Total	6,019,064,008

Bank's internal approach to assess capital adequacy

Bank's management regularly reviews Bank's capital adequacy. Plans and budgets are prepared on the basis of current and projected capital adequacy. Bank's plan and investment decision is based on at what level of capital adequacy it wants to remain at.

Risk Management Function

Risk Assessment/Mitigation Practices at Kumari Bank Limited

Considering the need to establish effective Risk Management and Risk Mitigation practices at Kumari Bank Ltd, we have developed a system of continuous improvement of processes wherein each member of the Bank works towards balancing profitability with prudence. The system encompasses all banking functions from client interface, to back office operation, to the strategic decision formulated by the management committees and the Board of Directors. Each area has its own check and balance procedure to assess and mitigate risks involved. The practices thus observed are as follows:

KBL Organization Structure

The bank's lending approval authority is divided into two distinct units, namely Business and Risk Management. While the Business Unit concentrates more on optimum utility of assets, every lending decision of this Unit is re-assessed and revaluated by the Risk Management Unit for final approval. The Risk Management Unit applies its objective judgment on risk variables deemed appropriate in each instance of lending decision. For this purpose, the Risk Management Unit has two distinct subunits, the Risk Approval Department, which facilitates final lending decision after duly adjusting risks as mitigated to an acceptable level, and the Credit Administration and Control Department, which evaluates the endorsed paperwork prior to actual sanction, and also after it.

Depending upon the volume of loans and the nature of risk associated, lending decision are subject to validation and approval by various levels of the hierarchy, in which some lending decision are to be approved by the General Manager, and other by even the Board of Directors as each case may require.

Risk Measurement Criteria and Mitigation Process

Credit risks are evaluated from the initial customer interface on an array of risk variables by the Credit Policy Guidelines of the Bank, as well as on the individual intuition of experienced officers. As proposals are escalated for approval, judgmental and analytical criteria become broader and more conceptual.

Kumari Bank Ltd. uses the best practices in banking, to make its operation secure through a system of procedural crosschecking mechanism in each operational transaction. An Internal Audit Department, which also doubles as the Concurrent Audit Department system, continuously functions to alert bank personnel to the meticulousness required in handling operations in every functional department. A credit monitoring system is well established in the Bank, which periodically checks on credit quality, compliance, and level of risk exposure. This practice has created a continuous learning and improvement environment, and the Bank's efficiency goal has been to move towards the most prudent practices in the industry.

Types of eligible credit risk mitigants used and the benefits availed under CRM -

<u>Particular</u>	<u>Eligible CRM</u>
Deposit with Bank & Cash Margin	190,917,535
<u>Total</u>	190,917,535