



**Kumari Bank Limited**  
Disclosure Under Basel II as at 17 Oct 2015

**Capital Structure and Capital Adequacy**

**Tier I Capital and breakdown of its components**

	Particular	Amount
a	Paid up Equity Share Capital	2,431,681,560
b	Irredeemable Non-cumulative preference shares	-
c	Share Premium	-
d	Proposed Bonus Equity Shares	-
e	Statutory General Reserves	467,413,482
f	Retained Earnings	418,687,452
g	Un-audited current year cumulative profit/(loss)	48,682,343
h	Capital Redemption Reserve	-
i	Capital Adjustment Reserve	-
j	Dividend Equalization Reserves	-
k	Other Free Reserve	-
l	Less - Deferred Tax Fund	849,607
	<b>Total Tier I Capital</b>	<b>3,365,615,230</b>

**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	272,868,720
e	Exchange Equalization Reserve	20,391,043
f	Investment Adjustment Reserve	20,000,000
g	Assets Revaluation Reserve	-
h	Other Reserves	-
	<b>Total Tier II Capital</b>	<b>313,259,763</b>
	<b>Total Capital Fund (Tier I and Tier II)</b>	<b>3,678,874,993</b>

**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	3,365,615,230
b	Tier II Capital	313,259,763
	<b>Total Capital Fund</b>	<b>3,678,874,993</b>

**Capital Adequacy Ratios**

S.N.	Particular	Current Year (%)
a	Tier I Capital to total RWA	10.38
b	Total Capital Fund (Tier I + Tier 2) to Total RWA	11.34

**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	646,996,200
d	Claims on Corporate and securities firms	16,359,494,936
e	Regulatory Retail Portfolio	3,253,575,971
f	Claims secured by residential properties	1,622,762,702
g	Claims secured by Commercial real estate	975,865,057
h	Past due claims	565,358,482
i	High Risk claims	2,961,448,903
j	Other Assets	572,734,177
k	Off Balance Sheet Exposures	2,402,223,484
	<b>Total</b>	<b>29,360,459,911</b>

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

S. No.	Particular	Amount
1	Risk Weighted Exposure for Credit Risk	29,360,459,911
2	Risk Weighted Exposure for Operational Risk	1,815,789,750
3	Risk Weighted Exposure for Market Risk	84,115,630
	<b>Total Risk Weighted Exposures</b>	<b>31,260,365,291</b>
	% of Total Deposit due to Insufficient Liquid Assets	-
	Addition to RWE as per supervisory review (3%)	937,810,959
	Add: 2% Capital Charge according to New Capital Adequacy Framework	230,900,000
	<b>Total Risk Weighted Exposures</b>	<b>32,429,076,250</b>

#### Total Risk Weighted Exposure Calculation Table

S. No.	Particular	Amount
1	Risk Weighted Exposure for Credit Risk	29,360,459,911
2	Risk Weighted Exposure for Operational Risk	1,815,789,750
3	Risk Weighted Exposure for Market Risk	84,115,630
4	<b>Total Risk Weighted Exposures</b>	<b>31,260,365,291</b>
	% of Total Deposit due to Insufficient Liquid Assets	-
	Addition to RWE as per supervisory review (3%)	937,810,959
	Add: 2% Capital Charge according to New Capital Adequacy Framework as per 6.4a7	230,900,000
	<b>Total Risk Weighted Exposures</b>	<b>32,429,076,250</b>
5	<b>Total Capital Fund</b>	<b>3,678,874,993</b>
6	<b>Capital Fund to Risk Weighted Exposure</b>	<b>11.34</b>

#### Amount of Non Performing Loan (Gross and Net)

S. NO.	Loan Type	Gross Amount	Provision	Net Amount
1	Restructure/Reschedule Loan	66,629,187	8,328,648	58,300,539
2	Substandard Loan	119,548,675	29,887,169	89,661,507
3	Doubtful Loan	69,815,792	34,907,896	34,907,896
4	Loss Loan	544,104,333	544,104,333	-

#### NPA Ratios

S. NO.	Particulars	(%)
1	Gross NPAs to Gross Advances	2.91
2	Net NPAs to Net Advances	0.69

#### Movement of Non Performing Assets

S. NO.	Particular	Previous Quarter	Current Quarter	Additional / (Write back)
1	Non Performing Loans	680,540,718	800,097,988	119,557,270

### 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	825,235,910	890,096,767	64,860,857
2	Interest Suspense	252,895,774	285,405,221	32,509,446

#### i. Details of additional loan loss provision

Current year's amount in Rs.

S.N.	Loan Classification	Additional Provision
1	Pass	(2,472,230)
2	Watch list	10,597,412
2	Restructured / Reschedule	(7,505)
3	Sub - Standard	16,291,963
4	Doubtful	13,998,241
5	Loss	26,452,975
	<b>Total</b>	<b>64,860,857</b>

#### j. Segregation of investment portfolio

Amount in Rs.

S.N.	Investment category	Current Year
1	Held for trading	-
2	Held to maturity	5,499,755,609
3	Available for sale	24,935,500
	<b>Total</b>	<b>5,524,691,109</b>

### 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 -**

<b><u>Particular</u></b>	<b><u>Eligible CRM</u></b>
Deposit with Bank & Cash Margin	151,084,627
<b><u>Total</u></b>	<b>151,084,627</b>