



Kumari Bank Limited
Disclosure Under Basel III as at 15 July 2020
(Fourth Quarter for F/Y 2019/20)

Capital Structure and Capital Adequacy

Tier I Capital and breakdown of its components

	Particular	Amount
(A) Tier I Capital [Core Capital (CET 1 + AT 1)]		14,829,423,432
Common Equity Tier 1 (CET 1)		14,829,423,432
a	Paid up Equity Share Capital	12,520,049,469
b	Equity Share Premium	-
c	Proposed Bonus Equity Shares	-
d	Statutory General Reserves	2,233,583,199
e	Retained Earnings	742,996,827
f	Unaudited current year cumulative profit/(loss)	-
g	Capital Redemption Reserve	-
h	Capital Adjustment Reserve	30,494,232
i	Dividend Equalization Reserves	-
j	Other Free Reserve	-
	Less: Intangible Assets	122,083,646
	Less: Deferred Tax Assets	140,815,023
	Less: Fictitious Assets	-
	Less: Investment in equity of institutions with financial interests	220,000,000
	Less: Purchase of land & building in excess of limit and unutilized	214,801,627
Additional Tier 1 (AT1)		

Tier II Capital and breakdown of its components

	Particular	Amount
a	Cumulative and/or Redeemable Preference Share	
b	Subordinated Term Debt	3,000,000,000
c	Hybrid Capital Instruments	-
d	Stock Premium	-
e	General Loan Loss Provision	1,324,138,490
f	Exchange Equalization Reserve	46,373,101
g	Investment Adjustment Reserve	1,800,000
h	Assets Revaluation Reserve	-
i	Other Reserves	-
Total Tier II Capital		4,372,311,591
Total Capital Fund (Tier I and Tier II)		19,201,735,022

Details of Subordinated Term Debt

The bank has issued RS 3,000.00 million 10.25% Kumari Bank Debenture 2086 in fiscal year 2076-77

The main features of the debenture are as follows

Issue Year : FY 2076-77

Maturity Year : FY 2086-77

Issue Amount : NPR 3,000,000,000.00

Interest Rate : 10.25% per annum

Interest Payment : half yearly

Total Qualifying Capital

	Particular	Amount
	Common Equity Tier 1 (CET 1)	14,829,423,432
	Additional Tier 1 (AT1)	-
	Supplementary Capital (Tier 2)	4,372,311,591
Total Capital Fund		19,201,735,022

Capital Adequacy Ratios

S.N.	Particular	Current Year (%)
a	Common Equity Tier 1 Ratio	11.13
b	Core Capital Ratio - Tier 1	11.13
c	Total Capital Adequacy Ratio (Tier 1 and Tier 2)	14.42

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	1,863,121,972
d	Claims on Corporate and securities firms	71,798,881,517
e	Regulatory Retail Portfolio	19,400,424,279
f	Claims secured by residential properties	3,892,648,576
g	Claims secured by Commercial real estate	840,801,946
h	Past due claims	989,875,975
i	High Risk claims	6,728,724,785
j	Lending against securities (bonds & shares)	3,269,983,637
k	Other Assets	5,229,801,948
l	Off Balance Sheet Exposures	10,265,515,435
	Total	124,279,780,071

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

S. No.	Particular	Amount
1	Risk Weighted Exposure for Credit Risk	124,279,780,071
2	Risk Weighted Exposure for Operational Risk	3,674,346,363
3	Risk Weighted Exposure for Market Risk	73,557,794
	Total Risk Weighted Exposures	128,027,684,228
	% of Total Deposit due to Insufficient Liquid Assets	-
	Addition to RWE as per supervisory review (3%)	3,840,830,527
	Add: 4% Capital Charge according to New Capital Adequacy Framework	1,326,412,800
	Total Risk Weighted Exposures	133,194,927,555

Total Risk Weighted Exposure Calculation Table

S. No.	Particular	Amount
1	Risk Weighted Exposure for Credit Risk	124,279,780,071
2	Risk Weighted Exposure for Operational Risk	3,674,346,363
3	Risk Weighted Exposure for Market Risk	73,557,794
4	Total Risk Weighted Exposures	128,027,684,228
	% of Total Deposit due to Insufficient Liquid Assets	-
	Addition to RWE as per supervisory review (3%)	3,840,830,527
	Add: 4% Capital Charge according to New Capital Adequacy Framework as per 6.4a7	1,326,412,800
	Total Risk Weighted Exposures	133,194,927,555
5	Total Capital Fund	19,201,735,022
6	Capital Fund to Risk Weighted Exposure	14.42

Amount of Non Performing Loan (Gross and Net)

S. NO.	Loan Type	Gross Amount	Provision	Net Amount
1	Restructure/Reschedule Loan	-	-	-
2	Substandard Loan	69,970,067	17,492,517	52,477,550
3	Doubtful Loan	588,559,031	294,279,516	294,279,516
4	Loss Loan	968,370,754	968,370,754	-

NPA Ratios

S. NO.	Particulars	(%)
1	Gross NPAs to Gross Advances	1.41
2	Net NPAs to Net Advances	0.31

Movement of Non Performing Assets

S. NO.	Particular	Previous Quarter	Current Quarter	Additional / (Write back)
1	Non Performing Loans	629,343,194	1,626,899,852	997,556,659

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	1,549,868,798	2,598,443,697	1,048,574,899
2	Interest Suspense	1,747,845,434	1,349,157,490	(398,687,944)

i. Details of additional loan loss provision

Current year's amount in Rs.

S.N.	Loan Classification	Additional Provision
1	Pass	188,585,834
2	Watch list	209,239,472
2	Restructured / Reschedule	(50,000)
3	Sub - Standard	(51,700,069)
4	Doubtful	231,656,661
5	Loss	470,843,001
	Total	1,048,574,899

j. Segregation of investment portfolio

Amount in Rs.

S.N.	Investment category	Current Year
1	Held for trading	209,382,648
2	Held to maturity	16,402,015,115
3	Available for sale	253,606,936
	Total	16,865,004,699

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 reevaluated 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	591,763,147
<u>Total</u>	591,763,147