



**Kumari Bank Limited**  
Disclosure Under Basel III as at 13 Jan 2017

**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   | 729,458,586          |
| g | Un-audited current year cumulative profit/(loss)                    | 279,352,038          |
| 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 | 88,453,224           |
|   | <b>Total Tier I Capital</b>   | <b>4,210,307,608</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                    | 373,783,874          |
| e | Exchange Equalization Reserve                  | 23,972,027           |
| f | Investment Adjustment Reserve                  | 20,000,000           |
| g | Assets Revaluation Reserve                     | -                    |
| h | Other Reserves                                 | -                    |
|   | <b>Total Tier II Capital</b>                   | <b>417,755,902</b>   |
|   | <b>Total Capital Fund (Tier I and Tier II)</b> | <b>4,628,063,510</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            | 4,210,307,608        |
| b | Tier II Capital           | 417,755,902          |
|   | <b>Total Capital Fund</b> | <b>4,628,063,510</b> |

**Capital Adequacy Ratios**

| S.N. | Particular  | Current Year (%) |
|------|---|------------------|
| a    | Tier I Capital to total RWA                       | 10.44            |
| b    | Total Capital Fund (Tier I + Tier 2) to Total RWA | 11.47            |

**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                          | 1,031,664,744         |
| d      | Claims on Corporate and securities firms | 19,106,610,996        |
| e      | Regulatory Retail Portfolio              | 4,743,442,926         |
| f      | Claims secured by residential properties | 2,203,356,238         |
| g      | Claims secured by Commercial real estate | 1,210,410,267         |
| h      | Past due claims                          | 239,615,698           |
| i      | High Risk claims                         | 4,115,545,294         |
| j      | Other Assets                             | 570,742,312           |
| k      | Off Balance Sheet Exposures              | 3,047,216,852         |
|        | <b>Total</b>                             | <b>36,268,605,328</b> |

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

| S. No. | Particular   | Amount                |
|--------|--|-----------------------|
| 1      | Risk Weighted Exposure for Credit Risk                             | 36,268,605,328        |
| 2      | Risk Weighted Exposure for Operational Risk                        | 1,900,467,511         |
| 3      | Risk Weighted Exposure for Market Risk                             | 65,486,998            |
|        | <b>Total Risk Weighted Exposures</b>                               | <b>38,234,559,837</b> |
|        | % of Total Deposit due to Insufficient Liquid Assets               | -                     |
|        | Addition to RWE as per supervisory review (4%)                     | 1,529,382,393         |
|        | Add: 4% Capital Charge according to New Capital Adequacy Framework | 580,000,000           |
|        | <b>Total Risk Weighted Exposures</b>                               | <b>40,343,942,230</b> |

**Total Risk Weighted Exposure Calculation Table**

| S. No. | Particular  | Amount                |
|--------|---|-----------------------|
| 1      | Risk Weighted Exposure for Credit Risk  | 36,268,605,328        |
| 2      | Risk Weighted Exposure for Operational Risk                                     | 1,900,467,511         |
| 3      | Risk Weighted Exposure for Market Risk  | 65,486,998            |
| 4      | <b>Total Risk Weighted Exposures</b>  | <b>38,234,559,837</b> |
|        | % of Total Deposit due to Insufficient Liquid Assets                            | -                     |
|        | Addition to RWE as per supervisory review (4%)                                  | 1,529,382,393         |
|        | Add: 4% Capital Charge according to New Capital Adequacy Framework as per 6.4a7 | 580,000,000           |
|        | <b>Total Risk Weighted Exposures</b>  | <b>40,343,942,230</b> |
| 5      | <b>Total Capital Fund</b>   | <b>4,628,063,510</b>  |
| 6      | <b>Capital Fund to Risk Weighted Exposure</b>                                   | <b>11.47</b>          |

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

| S. NO. | Loan Type                   | Gross Amount | Provision   | Net Amount |
|--------|-----------------------------|--------------|-------------|------------|
| 1      | Restructure/Reschedule Loan | -            | -           | -          |
| 2      | Substandard Loan            | 50,316,495   | 12,579,124  | 37,737,371 |
| 3      | Doubtful Loan               | 36,198,820   | 18,099,410  | 18,099,410 |
| 4      | Loss Loan                   | 298,483,674  | 298,483,674 | -          |

**NPA Ratios**

| S. NO. | Particulars                  | (%)  |
|--------|------------------------------|------|
| 1      | Gross NPAs to Gross Advances | 1.14 |
| 2      | Net NPAs to Net Advances     | 0.18 |

**Movement of Non Performing Assets**

| S. NO. | Particular           | Previous Quarter | Current Quarter | Additional / (Write back) |
|--------|----------------------|------------------|-----------------|---------------------------|
| 1      | Non Performing Loans | 409,988,877      | 384,998,989     | (24,989,888)              |

### 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 | 676,213,696      | 702,946,082     | 26,732,386   |
| 2      | Interest Suspense   | 179,218,148      | 168,377,179     | (10,840,969) |

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

Current year's amount in Rs.

| S.N. | Loan Classification       | Additional Provision |
|------|---------------------------|----------------------|
| 1    | Pass                      | 30,553,410           |
| 2    | Watch list                | 30,882,141           |
| 2    | Restructured / Reschedule | -                    |
| 3    | Sub - Standard            | 4,730,455            |
| 4    | Doubtful                  | 7,216,923            |
| 5    | Loss                      | 6,287,162            |
|      | <b>Total</b>              | <b>79,670,091</b>    |

#### j. Segregation of investment portfolio

Amount in Rs.

| S.N. | Investment category | Current Year         |
|------|---------------------|----------------------|
| 1    | Held for trading    | -                    |
| 2    | Held to maturity    | 6,642,644,610        |
| 3    | Available for sale  | 35,033,806           |
|      | <b>Total</b>        | <b>6,677,678,416</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 | 185,729,712                |
| <b><u>Total</u></b>             | <b>185,729,712</b>         |