

## Kumari Bank Limited

Disclosure Under Basel III as at 17 October 2019  
(First Quarter for F/Y 2019/20)

### Capital Structure and Capital Adequacy

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

	Particular	Amount
a	Paid up Equity Share Capital	9,554,130,425
b	Equity Share Premium	-
c	Proposed Bonus Equity Shares	-
d	Statutory General Reserves	1,531,065,436
e	Retained Earnings	24,230,935
f	Unaudited current year cumulative profit/(loss)	335,287,332
g	Capital Redemption Reserve	-
h	Capital Adjustment Reserve	30,494,232
i	Dividend Equalization Reserves	-
j	Other Free Reserve	-
	Less: Deferred Tax Assets	77,930,975
	Less: Fictitious Assets	97,393,609
	Less: Investment in equity of institutions with financial interests	200,000,000
	Less: Purchase of land & building in excess of limit and unutilized	217,190,036
	<b>Total Tier I Capital</b>	<b>10,882,693,742</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	
	Stock Premium	
d	General Loan Loss Provision	826,099,465
e	Exchange Equalization Reserve	46,744,144
f	Investment Adjustment Reserve	
g	Assets Revaluation Reserve	
h	Other Reserves	
	<b>Total Tier II Capital</b>	<b>872,843,609</b>
	<b>Total Capital Fund (Tier I and Tier II)</b>	<b>11,755,537,350</b>

#### Total Qualifying Capital

	Particular	Amount
a	Tier I Capital	10,882,693,742
b	Tier II Capital	872,843,609
	<b>Total Capital Fund</b>	<b>11,755,537,350</b>

#### Capital Adequacy Ratios

S.N.	Particular	Current Year (%)
a	Tier I Capital to total RWA	10.71
b	Total Capital Fund (Tier I + Tier 2) to Total RWA	11.57

#### 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	1,359,594,824
d	Claims on Corporate and securities firms	57,709,226,383
e	Regulatory Retail Portfolio	9,478,117,299
f	Claims secured by residential properties	2,857,529,306
g	Claims secured by Commercial real estate	817,171,242
h	Past due claims	721,736,630
i	High Risk claims	5,678,974,239

j	Other Assets	2,432,375,926
k	Off Balance Sheet Exposures	12,543,435,826
	<b>Total</b>	<b>93,598,161,675</b>

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

S. No.	Particular	Amount
1	Risk Weighted Exposure for Credit Risk	93,598,161,675
2	Risk Weighted Exposure for Operational Risk	3,674,346,363
3	Risk Weighted Exposure for Market Risk	67,717,799
	<b>Total Risk Weighted Exposures</b>	<b>97,340,225,838</b>
	% of Total Deposit due to Insufficient Liquid Assets	-
	Addition to RWE as per supervisory review (3%)	2,920,206,775
	Add: 4% Capital Charge according to New Capital Adequacy Framework	1,326,412,800
	<b>Total Risk Weighted Exposures</b>	<b>101,586,845,413</b>

#### Total Risk Weighted Exposure Calculation Table

S. No.	Particular	Amount
1	Risk Weighted Exposure for Credit Risk	93,598,161,675
2	Risk Weighted Exposure for Operational Risk	3,674,346,363
3	Risk Weighted Exposure for Market Risk	67,717,799
4	<b>Total Risk Weighted Exposures</b>	<b>97,340,225,838</b>
	% of Total Deposit due to Insufficient Liquid Assets	-
	Addition to RWE as per supervisory review (3%)	2,920,206,775
	Add: 4% Capital Charge according to New Capital Adequacy Framework as per 6.4a7	1,326,412,800
	<b>Total Risk Weighted Exposures</b>	<b>101,586,845,413</b>
5	<b>Total Capital Fund</b>	<b>11,755,537,350</b>
6	<b>Capital Fund to Risk Weighted Exposure</b>	<b>11.57</b>

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

S. NO.	Loan Type	Gross Amount	Provision	Net Amount
1	Restructure/Reschedule Loan	5,039,537	629,942	4,409,595
2	Substandard Loan	186,785,579	46,696,395	140,089,184
3	Doubtful Loan	185,319,822	92,659,911	92,659,911
4	Loss Loan	471,569,398	471,569,398	-

#### NPA Ratios

S. NO.	Particulars	(%)
1	Gross NPAs to Gross Advances	1.05
2	Net NPAs to Net Advances	0.30

#### Movement of Non Performing Assets

S. NO.	Particular	Previous Quarter	Current Quarter	Additional / (Write back)
1	Non Performing Loans	774,798,230	848,714,336	73,916,105

#### 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	1,368,098,314	1,437,655,111	69,556,797
2	Interest Suspense	410,411,844	536,172,253	125,760,410

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

Current year's amount in Rs.

S.N.	Loan Classification	Additional Provision
1	Pass	44,085,847
2	Watch list	(7,838,571)
2	Restructured / Reschedule	(9,311)
3	Sub - Standard	24,130,472
4	Doubtful	11,882,520
5	Loss	(2,694,159)
	<b>Total</b>	<b>69,556,797</b>

**j. Segregation of investment portfolio**

Amount in Rs.

S.N.	Investment category	Current Year
1	Held for trading	45,392,358.95
2	Held to maturity	11,634,399,330.34
3	Available for sale	127,855,395.04
	<b>Total</b>	<b>11,807,647,084.33</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 -**

<u>Particular</u>	<u>Eligible CRM</u>
Deposit with Bank & Cash Margin	586,032,192
<b>Total</b>	<b>586,032,192</b>