



Kumari Bank Limited
Disclosure Under Basel III as at 16 October 2024
(First Quarter for F/Y 2024/25)

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)]		31,127,233,742
Common Equity Tier 1 (CET 1)		31,127,233,742
a	Paid up Equity Share Capital	26,225,861,340
b	Equity Share Premium	-
c	Proposed Bonus Equity Shares	-
d	Statutory General Reserves	6,486,226,708
e	Retained Earnings	(4,406,602,452)
f	Unaudited current year cumulative profit/(loss)	1,078,177,781
g	Capital Redemption Reserve	-
h	Capital Adjustment Reserve	86,318,955
i	Debenture Redemption Reserve	2,677,083,335
j	Dividend Equalization Reserves	-
k	Other Free Reserve	130,784,184
	Less: Goodwill	130,784,184
	Less: Intangible Assets	78,811,716
	Less: Deferred Tax Assets	-
	Less: Fictitious Assets	-
	Less: Investment in equity in licensed Financial Institutions	-
	Less: Investment in equity of institutions with financial interests	660,000,000
	Less: Investment in equity of institutions in excess of limits	-
	Less: Purchase of land & building in excess of limit and unutilized	5,100,750
	Less: Negative Balances of reserve accounts	267,681,517
	Adjustments under Pillar II	-
	SRP 6.4a(Less:Shortfall in Provision(6.4 a 1)	-
	SRP 6.4a(Less: Loans and Facilities extended to related parties and restricted lending	8,237,944
	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	9,000,000,000
c	Hybrid Capital Instruments	-
d	Stock Premium	-
e	General Loan Loss Provision	4,112,076,955
f	Exchange Equalization Reserve	70,035,296
g	Investment Adjustment Reserve	-
h	Accrued Interest Receivable on pass loan included in Regulatory Reserve	979,157,251
i	Interest Capitalized Reserve included in Regulatory Reserve	53,306,912
j	Other Reserves	-
	Total Tier II Capital	14,214,576,415
	Total Capital Fund (Tier I and Tier II)	45,341,810,156

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

The bank has issued RS 3,000.00 million 11% Kumari Bank Debenture 2089 in fiscal year 2079-80

The main features of the debenture are as follows

Issue Year : FY 2079-80
Maturity Year : FY 2089-90
Issue Amount : NPR 3,000,000,000.00
Interest Rate : 11% per annum
Interest Payment : half yearly

The bank has issued RS 3,000.00 million 9.5% NCC Bank Debenture 2086 in fiscal year 2079-80

The main features of the debenture are as follows

Issue Year : FY 2075-76
Maturity Year : FY 2085-86
Issue Amount : NPR 3,000,000,000.00
Interest Rate : 9.5% per annum
Interest Payment : half yearly

The bank has issued RS 5,000.00 million 10% Kumari Bank Debenture 2090 (KBLD90) in fiscal year 2079-80

The main features of the debenture are as follows

Issue Year : FY 2070-81
Maturity Year : FY 2080-90
Issue Amount : NPR 5,000,000,000.00
Interest Rate : 10% per annum
Interest Payment : Quarterly

Deductions from Capital:

The Bank has investments of NPR 400 million in the equity shares of Kumari Capital Ltd. and NPR 200 million in the equity shares of KBL Securities Ltd which has been deducted from the core capital while computing capital adequacy. Further, Bank has deducted purchase of land & building in excess of limit and unutilized located at Gaidakot site amounting to NPR 5.10 Million, negative balances of reserve accounts NPR 267.68 Million related to actuarial reserve.

Total Qualifying Capital

Particular	Amount
Common Equity Tier 1 (CET 1)	31,127,233,742
Additional Tier 1 (AT1)	-
Supplementary Capital (Tier 2)	14,214,576,415
Total Capital Fund	45,341,810,156

Capital Adequacy Ratios

S.N.	Particular	Current Year (%)
a	Common Equity Tier 1 Ratio	8.52%
b	Core Capital Ratio - Tier 1	8.52%
c	Total Capital Adequacy Ratio (Tier 1 and Tier 2)	12.41%

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	4,313,917,395
d	Claims on Corporate and securities firms	174,094,663,070
e	Regulatory Retail Portfolio	47,375,412,058
f	Claims secured by residential properties	7,116,814,344
g	Claims secured by Commercial real estate	4,934,812,104
h	Past due claims	7,665,870,377
i	High Risk claims	21,069,124,271
j	Lending against securities (bonds & shares)	9,135,396,193
k	Trust Receipt Loans for Trading Firms	4,212,297,962
l	Personal Hirepurchase/Personal Auto Loans	1,623,034,941
m	Investments in equity and other capital instruments	6,143,036,866
n	Other Assets	12,905,145,531
o	Off Balance Sheet Exposures	28,376,631,310
	Total	328,966,156,424
Adjustments under Pillar II		
SRP 6.4a(3) - Add 10% of the loans & facilities in excess of Single Obligor Limits to RWE		
SRP 6.4a(4) - Add 1% of the contract (sale) value in case of the sale of credit with recd		-
Total RWE for Credit Risk after Bank's adjustments under Pillar II		328,966,156,424

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

S. No.	Particular	Amount
1	Risk Weighted Exposure for Credit Risk	328,966,156,424
2	Risk Weighted Exposure for Operational Risk	18,440,197,723
3	Risk Weighted Exposure for Market Risk	344,982,753
	Total Risk Weighted Exposures	347,751,336,900
	% of Total Deposit due to Insufficient Liquid Assets	-
	Addition to RWE as per supervisory review (4%)	3,773,168,100
	Add: 3% Capital Charge according to New Capital Adequacy Framework as	13,910,053,476
	Total Risk Weighted Exposures	365,434,558,477

Total Risk Weighted Exposure Calculation Table

S. No.	Particular	Amount
1	Risk Weighted Exposure for Credit Risk	328,966,156,424
2	Risk Weighted Exposure for Operational Risk	18,440,197,723
3	Risk Weighted Exposure for Market Risk	344,982,753
4	Total Risk Weighted Exposures	347,751,336,900
	% of Total Deposit due to Insufficient Liquid Assets	-
	Addition to RWE as per supervisory review (4%)	3,773,168,100
	as per 6.4a7	13,910,053,476
	Total Risk Weighted Exposures	365,434,558,477
5	Total Capital Fund	45,341,810,156
6	Capital Fund to Risk Weighted Exposure	12.41

Amount of Non Performing Loan (Gross and Net)

S. NO.	Loan Type	Gross Amount	Provision	Net Amount
1	Restructure/Reschedule Loan			-
2	Substandard Loan	2,811,480,798	636,693,073	2,174,787,725
3	Doubtful Loan	506,057,484	189,254,723	316,802,761
4	Loss Loan	11,826,609,853	11,826,609,853	-

NPA Ratios

S. NO.	Particulars	(%)
1	Gross NPAs to Gross Advances	4.96
2	Net NPAs to Net Advances	0.87

Movement of Non Performing Assets

S. NO.	Particular	Previous Quarter	Current Quarter	Additional / (Write back)
1	Non Performing Loans	14,517,860,870	15,144,148,135	626,287,265

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	19,908,196,226	20,538,885,330	630,689,103
2	Interest Suspense	11,593,320,616	12,557,601,076	964,280,460

i. Details of additional loan loss provision

Current year's amount in Rs.

S.N.	Loan Classification	Additional Provision
1	Pass	57,479,083
2	Watch list	1,134,463,218
2	Restructured / Reschedule	-
3	Sub - Standard	331,743,288
4	Doubtful	32,769,710
5	Loss	(925,766,196)
	Total	630,689,103

j. Segregation of investment portfolio

Amount in Rs.

S.N.	Investment category	Current Year
1	Held for trading	1,468,286,356
2	Held to maturity	2,154,148,076
	Total	3,622,434,433

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 & Gold	2,378,716,336
Total	2,378,716,336