



Kumari Bank Limited
Disclosure Under Basel III as at 13 January 2025
(Second 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)]	26,569,834,189
	Common Equity Tier 1 (CET 1)	26,569,834,189
a	Paid up Equity Share Capital	26,225,861,340
b	Equity Share Premium	-
c	Proposed Bonus Equity Shares	-
d	Statutory General Reserves	5,865,016,502
e	Retained Earnings	(6,753,426,212)
f	Unaudited current year cumulative profit/(loss)	275,730,458
g	Capital Redemption Reserve	-
h	Capital Adjustment Reserve	86,318,955
i	Debenture Redemption Reserve	2,937,500,002
j	Dividend Equalization Reserves	-
k	Other Free Reserve	130,784,184
	Less: Goodwill	130,784,184
	Less: Intangible Assets	91,553,902
	Less: Deferred Tax Assets	-
	Less: Fictitious Assets	-
	Less: Investment in equity in licensed Financial Institutions	-
	Less: Investment in equity of institutions with financial interests	1,639,000,000
	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	328,326,176
	Adjustments under Pillar II	-
	SRP 6.4a(Less:Shortfall in Provision(6.4 a 1)	-
	Less: Loans and Facilities extended to related parties and restricted	-
	SRP 6.4a(lending	3,186,028
	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	4,131,897,494
f	Exchange Equalization Reserve	71,257,612
g	Investment Adjustment Reserve	30,000,000
h	Accrued Interest Receivable on pass loan included in Regulatory Reserve	3,203,347,136
i	Interest Capitalized Reserve included in Regulatory Reserve	53,306,912
j	Other Reserves	-
	Total Tier II Capital	16,489,809,154
	Total Capital Fund (Tier I and Tier II)	43,059,643,343

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 2079-80

Maturity Year : FY 2089-90

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, NPR 200 million in the equity shares of KBL Securities Ltd, NPR 1000 million in Avasar Equity Diversified Fund, NPR 25 million in Reliable Private Equity Fund, NPR 14 million in Mutual Fund 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 328.33 Million related to actuarial reserve and loans and facilities extended to related parties amounting NPR 3.19 Million.

Total Qualifying Capital

	Particular	Amount
	Common Equity Tier 1 (CET 1)	26,569,834,189
	Additional Tier 1 (AT1)	-
	Supplementary Capital (Tier 2)	16,489,809,154
	Total Capital Fund	43,059,643,343

Capital Adequacy Ratios

S.N.	Particular	Current Year (%)
a	Common Equity Tier 1 Ratio	7.23%
b	Core Capital Ratio - Tier 1	7.23%
c	Total Capital Adequacy Ratio (Tier 1 and Tier 2)	11.72%

Risk Exposures

Risk weighted exposures under each 11 categories of Credit Risk:

S. No.	Particular	Amount
a	Claims on domestic banks that meet capital adequacy requirements	60,817,493
b	Claims on foreign bank (ECA Rating 0-1)	682,615,997
c	Claims on foreign bank (ECA Rating 2)	2,787,841,499
d	Claims on foreign bank (ECA Rating 3-6)	691,000,000
e	Claims on foreign bank incorporated in SAARC region and China operating	1,117,741,760
f	Claims on Domestic Corporates (Credit rating score equivalent to AA+ to	540,476,421
g	Claims on Domestic Corporates (Credit rating score equivalent to A+ to	18,810,763,395
h	Claims on Domestic Corporates (Credit rating score equivalent to BBB+	19,721,470,745
i	Claims on Domestic Corporates (Unrated)	129,557,822,733
j	Regulatory Retail Portfolio (Not Overdue)	46,964,078,638
k	Claims secured by residential properties	6,794,552,459
l	Claims secured by residential properties (Overdue)	277,513,474
m	Claims secured by Commercial real estate	4,919,303,601
n	Past due claims (except for claims secured by residential properties)	15,915,938,772
o	High Risk claims	17,249,307,871
p	Real Estate loans for land acquisition and development (Other than mentio	464,584,043
q	Lending against Shares(above Rs.5 Million)	8,159,794,280
r	Lending against Shares(upto Rs.5 Million)	1,866,814,028
s	Trust Receipt Loans for Trading Firms	3,604,891,050

t	Personal Hirepurchase/Personal Auto Loans	1,563,637,702
u	Investments in equity and other capital instruments of institutions listed in	2,867,042,905
v	Investments in equity and other capital instruments of institutions not listed	1,862,789,885
w	Staff loan secured by residential property	1,891,793,753
x	Other Assets	11,949,463,102
y	Off Balance Sheet Exposures	30,229,743,894
	Total	330,551,799,499
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 re		
Total RWE for Credit Risk after Bank's adjustments under Pillar II		
		330,551,799,499

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

S. No.	Particular	Amount
1	Risk Weighted Exposure for Credit Risk	330,551,799,498.70
2	Risk Weighted Exposure for Operational Risk	18,440,197,723.38
3	Risk Weighted Exposure for Market Risk	620,920,349.87
	Total Risk Weighted Exposures	349,612,917,572
	% 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	13,984,516,702.88
	Total Risk Weighted Exposures	367,370,602,375

Total Risk Weighted Exposure Calculation Table

S. No.	Particular	Amount
1	Risk Weighted Exposure for Credit Risk	330,551,799,499
2	Risk Weighted Exposure for Operational Risk	18,440,197,723
3	Risk Weighted Exposure for Market Risk	620,920,350
4	Total Risk Weighted Exposures	349,612,917,572
	% of Total Deposit due to Insufficient Liquid Assets	-
	Addition to RWE as per supervisory review (4%)	3,773,168,100
	as per 6.4a7	13,984,516,703
	Total Risk Weighted Exposures	367,370,602,375
5	Total Capital Fund	43,059,643,343
6	Capital Fund to Risk Weighted Exposure	11.72

Amount of Non Performing Loan (Gross and Net)

S. NO.	Loan Type	Gross Amount	Provision	Net Amount
1	Restructure/Reschedule Loan			-
2	Substandard Loan	4,942,560,970	1,168,882,902	3,773,678,069
3	Doubtful Loan	3,876,500,414	1,864,608,640	2,011,891,774
4	Loss Loan	12,433,407,104	12,433,407,104	-

NPA Ratios

S. NO.	Particulars	(%)
1	Gross NPAs to Gross Advances	6.96
2	Net NPAs to Net Advances	2.03

Movement of Non Performing Assets

S. NO.	Particular	Previous Quarter	Current Quarter	Additional / (Write back)
1	Non Performing Loans	15,144,148,135	21,252,468,489	6,108,320,354

Write Off of Loan and Interest Suspense

S. NO.	Particular	Amount
1	Loan Write Off	8,115,524.55
2	Interest Suspense Write Off	47,131,999.43

Movement of Interest Suspense

	Particular	Previous Quarter	Current Quarter	Additional
	Interest Suspense	12,557,601,076	12,222,299,406	(335,301,670)

i. Details of additional loan loss provision

Current year's amount in Rs.

S.N.	Loan Classification	Additional Provision
1	Pass	(320,909,976)
2	Watch list	1,667,560,032
2	Restructured / Reschedule	-
3	Sub - Standard	509,723,268
4	Doubtful	881,036,159
5	Loss	535,732,428
	Total	3,273,141,913

j. Segregation of investment portfolio

Amount in Rs.

S.N.	Investment category	Current Year
1	Held for trading	1,618,488,358
2	Held to maturity	1,751,983,157
	Total	3,370,471,516

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	2,370,647,440
Total	2,370,647,440