

PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL II as at 31.06.2070

Amount in NPR

1. Tier 1 capital and a breakdown of its components:

Core Capital (Tier 1)	Amount (Rs.)
Paid up Equity Share Capital	2,340,405,276
Statutory General Reserves	320,571,948
Proposed Bonus Equity Shares	234,040,528
Retained Earnings	21,870,000
Un-audited current year cumulative profit	123,741,200
Deferred Tax Reserve	34,090,588
Less: Fictitious Assets	-
Total Core Capital (Tier I)	3,074,719,539

2. Tier 2 capital and a breakdown of its components:

Supplementary Capital (Tier 2)	Amount
General loan loss provision	218,756,571
Exchange Equalization Reserve	75,734
Investment Adjustment Reserve	420,000
Total Core Capital (Tier II)	219,252,305

3. Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, amount eligible to be reckoned as capital funds:

Nil

4. Deductions from Capital:

Nil

5. Total Qualifying Capital:

Total Qualifying Capital	Amount
Core Capital (Tier 1)	3,074,719,539
Core Capital (Tier 2)	219,252,305
Total qualifying capital	3,293,971,844

6. Capital Adequacy Ratio:

Capital Adequacy Ratio	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	11.41%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	12.23%

7. Risk weighted exposures for credit risk, operational risk and market risk

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	23,531,976,537
Risk weighted Exposures for Operational Risk	1,629,451,155
Risk weighted exposures for Market Risk	317,613,084
<u>Adjustment under Pillar II</u>	

Add: 3% of the total RWE due to non compliance to Disclosure Requirement (6.4 a 10)	
Add: ...% of the total deposit due to insufficient Liquid Assets (6.4 a)	
Add: Supervisory Haircut (5 % of Gross Income)	695,800,000
Add: Supervisory Haircut (3 % of Gross RWE)	764,371,223
Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	26,939,211,999

8. Risk weighted exposure under each of 11 categories

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	6,276,446,639	-
Claims on Other Financial Entities	-	-
Claims on Banks	2,088,728,864	640,728,271
Claims on Corporate and Securities Firm	11,213,539,031	11,056,917,452
Claims on Regulatory Retail Portfolio	2,334,519,846	1,014,226,917
Claims on Secured by Residential Properties	1,447,306,919	907,260,293
Claims on Secured by Commercial Real Estate	2,393,639,351	2,393,639,351
Past due Claims	935,592,726	990,452,603
High Risk Claims	3,365,779,966	2,685,149,303
Other Assets	1,527,779,027	970,807,007
Off Balance Sheet Items	6,539,164,721	2,872,795,341
Total	38,122,497,090	23,531,976,537

9. Total risk weighted exposure calculation table:

i. Risk Weighted Exposure of Credit Risk

A. Balance Sheet Exposures	Book Value (a)	Specific provisions (b)	Eligible CRM (c)	Net Value (d=a-b-c)	Risk weight (e)	Risk Weighted Exposures (f=d*e)
Cash Balance	1,628,852,477	-	-	1,628,852,477	0%	-
Balance with Nepal Rastra Bank	2,899,150,077	-	-	2,899,150,077	0%	-
Gold	4,285,409	4,285,409	-	-	0%	-
Investment in Nepalese Government Securities	1,626,356,176	-	-	1,626,356,176	0%	-
All claims on Government of Nepal	117,802,500	-	-	117,802,500	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank(ECA rating 0-1)	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank(ECA rating 2)	-	-	-	-	20%	-
Claims on Foreign Government and Central Bank(ECA rating 3)	-	-	-	-	50%	-
Claims on Foreign Government and Central Bank(ECA rating 4-6)	-	-	-	-	100%	-
Claims on Foreign Government and Central Bank(ECA rating 7)	-	-	-	-	150%	-
Claims on BIS,IMF,ECB,EC and on Multilateral Development Banks recognized by the framework	-	-	-	-	0%	-
Claims on other Multilateral Development Banks	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-
Claims on Public Sector Entity (ECA- 2)	-	-	-	-	50%	-
Claims on Public Sector Entity (ECA-3-6)	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA -7)	-	-	-	-	150%	-
Claims on Domestic banks that meet capital adequacy requirements	956,291,475	-	-	956,291,475	20%	191,258,295
Claims on Domestic banks that do not meet capital adequacy requirements	111,522,730	49,048,498	-	62,474,233	100%	62,474,233
Claims on Foreign Bank (ECA 0-1)	299,804,023	-	-	299,804,023	20%	59,960,805
Claims on Foreign Bank (ECA 2)	609,376,037	-	-	609,376,037	50%	304,688,019
Claims on Foreign Bank (ECA 3-6)	-	-	-	-	100%	-
Claims on Foreign Bank (ECA 7)	-	-	-	-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective capital requirement	111,734,600	-	-	111,734,600	20%	22,346,920

Claims on Domestic Corporate	11,213,539,031	-	156,621,579	11,056,917,452	100%	11,056,917,452
Claims on Foreign Corporate (ECA 0-1)	-	-	-	-	20%	-
Claims on Foreign Corporate (ECA 2)	-	-	-	-	50%	-
Claims on Foreign Corporate (ECA3-6)	-	-	-	-	100%	-
Claims on Foreign Corporate (ECA 7)	-	-	-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	2,334,519,846	-	982,217,290	1,352,302,556	75%	1,014,226,917
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	1,324,296,691	-	-	1,324,296,691	60%	794,578,014
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	123,010,228	10,327,950	-	112,682,279	100%	112,682,279
Claims secured by Commercial real estate	2,393,639,351	-	-	2,393,639,351	100%	2,393,639,351
Past due claims (except for claim secured by residential properties)	935,592,726	275,290,990	-	660,301,736	150%	990,452,603
High Risk claims	3,365,779,966	126,000	1,575,554,431	1,790,099,535	150%	2,685,149,303
Investments in equity & other capital instruments of institutions listed in the stock exchange	-	-	-	-	100%	-
Investments in equity & other capital instruments of institutions not listed in the stock exchange	23,500,000	-	-	23,500,000	150%	35,250,000
Staff loan secured by residential property	-	-	-	-	60%	-
Interest Receivable/claim on government securities	14,438,987	-	-	14,438,987	0%	-
Cash in transit and other cash items in the porcess of collection	81,572,898	-	-	81,572,898	20%	16,314,580
Other Assets (as per attachment)	1,408,267,141	489,024,714	-	919,242,427	100%	919,242,427
TOTAL	31,583,332,370	828,103,561	2,714,393,300	28,040,835,508		20,659,181,196

B. Off-Balance Sheet Exposures	Book Value (a)	Specific provisions (b)	Eligible CRM (c)	Net Value (d=a-b-c)	Risk weight (e)	Risk Weighted Exposures (f=d*e)
Revocable Commitments	-	-	-	-	0%	-
Bills under Collection	-	-	-	-	0%	-
Forward exchange contract liabilities	-	-	-	-	10%	-
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	1,033,204,990	-	57,796,173	975,408,817	20%	195,081,763
Foreign Counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
Foreign Counterparty (ECA Rating 2)	-	-	-	-	50%	-
Foreign Counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
Foreign Counterparty (ECA Rating 7)	-	-	-	-	150%	-

LC Commitments with Original Maturity Over 6 months(domestic counterparty)	340,910,764	-	9,634,125	331,276,640	50%	165,638,320
Foreign Counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
Foreign Counterparty (ECA Rating 2)	-	-	-	-	50%	-
Foreign Counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
Foreign Counterparty (ECA Rating 7)	-	-	-	-	150%	-
Bid Bond and Performance Bond(domestic counterparty)	2,119,715,860	-	191,939,590	1,927,776,270	50%	963,888,135
Foreign Counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
Foreign Counterparty (ECA Rating 2)	-	-	-	-	50%	-
Foreign Counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
Foreign Counterparty (ECA Rating 7)	-	-	-	-	150%	-
Underwriting commitments	-	-	-	-	50%	-
Lending of Bank's securities or posting of securities as collateral	-	-	-	-	100%	-
Repurchase agreements, Assets sale with recourse	-	-	-	-	100%	-
Advance Payment Guarantee	1,566,869,288	-	538,480,279	1,028,389,008	100%	1,028,389,008
Financial Guarantee	108,020,000	-	-	108,020,000	100%	108,020,000
Acceptances and Endorsement	-	-	-	-	100%	-
Unpaid portion of partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	1,071,901,204	-	-	1,071,901,204	20%	214,380,241
Irrevocable Credit commitments (Long term)	266,458,238	-	-	266,458,238	50%	133,229,119
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective capital requirement	-	-	-	-	20%	-
Other Contingent Liabilities	-	-	-	-	100%	-
Unpaid Guarantee Claims	32,084,377	-	-	32,084,377	200%	64,168,755
Total	6,539,164,721	-	797,850,167	5,741,314,553		2,872,795,341
Total RWE for credit risk Before Adjustment (A)+(B)	38,122,497,090	828,103,561	3,512,243,468	33,782,150,062		23,531,976,537
Adjustment under Pillar II						
Add: 10% of the Loan and facilities in excess of Single Obligor Limits (6.4 a 3)						
Add: 1% of the contract (sale) value in case of the sale of credit with recourse (6.4 a 4)						
Total RWE for credit risk (After Bank's Adjustment of Pillar II)	38,122,497,090	828,103,561	3,512,243,468	33,782,150,062		23,531,976,537

ii. Risk Weighted Exposure of Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income	696,629,518	716,430,032	1,041,947,200
Commission and Discount Income	46,341,237	54,490,267	80,114,640
Other Operating Income	105,374,760	121,275,446	140,434,030
Exchange Fluctuation Income	15,471,028	15,116,120	-5,784,150
Additional Interest Suspense during the period	11,829,373	84,266,658	134,966,149
Gross Income (a)	875,645,917	991,578,523	1,391,677,869
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a*b)]	131,346,888	148,736,778	208,751,680
Capital Requirement for operational risk (d) (average of c)			162,945,115
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure[f=(d*e)]			1,629,451,155
PILLAR II ADJUSTMENT			-
If Gross Income for all the last three years is negative (6.4 a 8)			-
Total Credit and Investment (net of Specific Provisions)			-
Capital Requirement for operational risk (5%)			-
Risk Weight (reciprocal of capital requirement of 10%) in times			-
Equivalent Risk Weight Exposure[g]			-
Equivalent Risk Weight Exposure [h=f+g]			1,629,451,155

iii. Risk Weighted Exposure of Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NPR)	Relevant Open Position
INR	367,820,402	1.60	588,512,643	588,512,643
USD	140,665	97.90	13,771,080	13,771,080
GBP	27,181	156.87	4,264,016	4,264,016
EUR	153,451	132.86	20,387,496	20,387,496
THB	26,975	3.14	84,806	84,806
CHF	9,151	107.59	984,575	984,575
AUD	2,243	93.43	209,564	209,564
CAD	387	94.63	36,619	36,619
SGD	649	78.56	50,998	50,998
JPY	5,193,256	1.00	5,174,756	5,174,756
HKD	9,811	12.62	123,802	123,802
DKK	4,199	17.78	74,676	74,676
SEK	370	15.12	5,594	5,594
SAR	14,363	25.90	371,979	371,979
QAR	12,494	26.67	333,198	333,198
AED	12,071	26.44	319,161	319,161
MYR	5,468	30.82	168,512	168,512
KRW	653,280	0.09	59,898	59,898
CNY	18,283	16.02	292,795	292,795
Total Open Position (a)			635,226,169	635,226,169
Fixed Percentage (b)				5%
Capital Charge for Market Risk [c=(a*b)]				31,761,308
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10
Equivalent Risk Weight Exposure [e=(c*d)]				317,613,084

10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	164,068,326	123,051,244
Doubtful Loan	198,506,169	99,253,084
Loss Loan	145,348,774	0

11. NPA ratios

Gross NPA to Gross Advance	2.27%
Net NPA to Net Advances	1.02%

12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	67,268,040	164,068,326	96,800,286
Doubtful Loan	231,059,705	198,506,169	(32,553,537)
Loss Loan	185,981,068	145,348,774	(40,632,293)

13. Write off of loans and interest suspense Nil

14. Movements in loan loss provisions and Interest suspense

i. Movement of Loan Loss Provision

Particulars	Opening Balance	Closing Balance	% Change
Pass Loan	212,617,723	218,756,571	2.89%
Sub-standard Loan	16,817,010	41,017,081	143.90%
Doubtful Loan	115,529,853	99,253,084	-14.09%
Loss Loan	185,981,068	145,348,774	-21.85%
Personal Guarantee	124,594	126,000	1.13%

ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	240,023,328	296,504,444	23.53%

15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	212,617,723	218,756,571	6,138,848
Sub-standard Loan	16,817,010	41,017,081	24,200,072
Doubtful Loan	115,529,853	99,253,084	(16,276,768)
Loss Loan	185,981,068	145,348,774	(40,632,293)
Personal Guarantee	124,594	126,000	1,406

16. Segregation of investment portfolio into held for trading, held to maturity and available for sale category

Investment Portfolio	Amount
Held for Trading	-
Held to Maturity	2,476,629,218
Treasury Bills	1,356,356,176
Development Bond -3 years	270,000,000
Money at Call	408,373,042
Other Investments	441,900,000
Available for sale	23,500,000
Nepal Clearing House Ltd.	2,500,000
Mahila Sahayatri Microfinance Dev. Bank Ltd.	14,000,000
Mero Microfinance Bittiya Sanstha Ltd	7,000,000

17. Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities:

- To ensure sound capital assessment process; the board, management, audit committee and internal audit frequently monitor and review quality and effectiveness of the control and mitigate risk to protect the assets of the bank regularly.
- Credit Risk Management Department reviews the credit risk, analyzes the trends, assesses the exposure and strictly monitors the risk factors.

18. Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments

Nil