

PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL II as at 32.03.2071

Amount in NPR

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

| Core Capital (Tier 1) | Amount (Rs.) |
|---|----------------------|
| Paid up Equity Share Capital | 2,638,699,804 |
| Statutory General Reserves | 320,571,948 |
| Proposed Bonus Equity Shares | - |
| Share Premium | 74,154,989 |
| Retained Earnings | 21,870,000 |
| Un-audited current year cumulative profit | 632,373,721 |
| Deferred Tax Reserve | 34,090,588 |
| Less:Fictitious Assets | - |
| Total Core Capital (Tier I) | 3,721,761,050 |

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

| Supplementary Capital (Tier 2) | Amount |
|---------------------------------------|--------------------|
| General loan loss provision | 274,213,406 |
| Exchange Equalization Reserve | 75,734 |
| Investment Adjustment Reserve | 420,000 |
| Total Core Capital (Tier II) | 274,709,140 |

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) | 3,721,761,050 |
| Core Capital (Tier 2) | 274,709,140 |
| Total qualifying capital | 3,996,470,190 |

6. Capital Adequacy Ratio:

| Capital Adequacy Ratio | Percentage |
|--|-------------------|
| Tier 1 Capital to Total Risk Weighted Exposures | 11.55% |
| Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures | 12.40% |

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

| Risk Weighted Exposures | Amount |
|--|----------------|
| Risk weighted Exposures for Credit Risk | 28,593,814,523 |
| Risk weighted Exposures for Operational Risk | 1,629,451,155 |
| Risk weighted exposures for Market Risk | 384,737,926 |

| | |
|---|-----------------------|
| | 30,608,003,604 |
| Total Risk Weighted Exposures (Before adjustments of Pillar II) | |
| <i>Adjustment under Pillar II</i> | |
| ALM policies & practices are not satisfactory, add 1% of net interest income to RWE | |
| Add% of the total deposit due to insufficient Liquid Assets | |
| Add RWE equivalent to reciprocal of capital charge of 5 % of gross income. | 695,800,000 |
| Overall risk management policies and procedures are not satisfactory. Add 3% of RWE | 918,240,108 |
| If desired level of disclosure requirement has not been achieved, Add.....% of RWE | |
| Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) | 32,222,043,712 |

8. Risk weighted exposure under each of 11 categories

| Credit Risk | Claim | RWE |
|--|-----------------------|-----------------------|
| Claims on Govt. and Central Bank | 9,525,145,784 | - |
| Claims on Other Financial Entities | - | - |
| Claims on Banks | 1,491,337,029 | 490,502,876 |
| Claims on Corporate and Securities Firm | 14,047,304,617 | 13,813,294,358 |
| Claims on Regulatory Retail Portfolio | 3,246,713,813 | 1,388,364,589 |
| Claims on Secured by Residential Properties | 1,794,673,632 | 1,094,972,322 |
| Claims on Secured by Commercial Real Estate | 2,506,000,328 | 2,506,000,328 |
| Past due Claims | 830,735,958 | 781,984,676 |
| High Risk Claims | 4,670,783,220 | 3,483,833,861 |
| Other Assets | 1,740,794,484 | 1,143,925,298 |
| Off Balance Sheet Items | 8,851,678,372 | 3,890,936,215 |
| Total | 48,705,167,238 | 28,593,814,523 |

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 | 1,495,868,753 | | | 1,495,868,753 | 0% | - |
| Balance with Nepal Rastra Bank | 5,540,193,864 | | | 5,540,193,864 | 0% | - |
| Gold | 22,087,564 | 22,087,564 | | - | 0% | - |
| Investment in Nepalese Government Securities | 2,349,193,103 | | | 2,349,193,103 | 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 | 701,960,000 | | | 701,960,000 | 20% | 140,392,000 |
| Claims on Domestic banks that do not meet capital adequacy requirements | 141,771,696 | 48,224,484 | | 93,547,212 | 100% | 93,547,212 |
| Claims on Foreign Bank (ECA 0-1) | 212,293,697 | | | 212,293,697 | 20% | 42,458,739 |
| Claims on Foreign Bank (ECA 2) | 423,475,324 | | | 423,475,324 | 50% | 211,737,662 |
| 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 | 11,836,312 | | | 11,836,312 | 20% | 2,367,262 |
| Claims on Domestic Corporate | 14,047,304,617 | | 234,010,258 | 13,813,294,358 | 100% | 13,813,294,358 |
| 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) | 3,246,713,813 | | 1,395,561,027 | 1,851,152,785 | 75% | 1,388,364,589 |
| Claims fulfilling all criterion of regulatory retail except granularity | | | | - | 100% | - |
| Claims secured by residential properties | 1,690,741,517 | | | 1,690,741,517 | 60% | 1,014,444,910 |
| Claims not fully secured by residential properties | | | | - | 150% | - |
| Claims secured by residential properties (Overdue) | 103,932,115 | 23,404,704 | | 80,527,411 | 100% | 80,527,411 |
| Claims secured by Commercial real estate | 2,506,000,328 | | | 2,506,000,328 | 100% | 2,506,000,328 |
| Past due claims (except for claim secured by residential properties) | 830,735,958 | 309,412,841 | | 521,323,118 | 150% | 781,984,676 |
| High Risk claims | 4,670,783,220 | 126,000 | 2,348,101,313 | 2,322,555,907 | 150% | 3,483,833,861 |

| | | | | | | |
|--|-----------------------|--------------------|----------------------|-----------------------|------|-----------------------|
| 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 | 1,157,058 | | | 1,157,058 | 0% | - |
| Cash in transit and other cash items in the process of collection | 120,304,631 | - | | 120,304,631 | 20% | 24,060,926 |
| Other Assets (as per attachment) | 1,595,832,795 | 511,218,424 | - | 1,084,614,372 | 100% | 1,084,614,372 |
| TOTAL | 39,853,488,866 | 914,474,016 | 3,977,672,599 | 34,961,342,250 | | 24,702,878,308 |

| 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 | 673,400,000 | | - | 673,400,000 | 10% | 67,340,000 |
| LC Commitments with Original Maturity upto 6 months (domestic counterparty) | 537,071,606 | | 34,700,583 | 502,371,023 | 20% | 100,474,205 |
| 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) | 163,044,995 | | 3,625,946 | 159,419,049 | 50% | 79,709,524 |
| 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) | 2,980,811,527 | | 239,071,063 | 2,741,740,464 | 50% | 1,370,870,232 |
| 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 | 2,041,033,181 | | 544,691,116 | 1,496,342,064 | 100% | 1,496,342,064 |
| Financial Guarantee | 105,820,000 | | - | 105,820,000 | 100% | 105,820,000 |
| Acceptances and Endorsement | | | | - | 100% | - |
| Unpaid portion of partly paid shares and securities | | | | - | 100% | - |
| Irrevocable Credit commitments (Short term) | 2,029,349,473 | | - | 2,029,349,473 | 20% | 405,869,895 |
| Irrevocable Credit commitments (Long term) | 251,856,590 | | - | 251,856,590 | 50% | 125,928,295 |
| 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 | 69,291,000 | | - | 69,291,000 | 200% | 138,582,000 |
| Total | 8,851,678,372 | - | 822,088,708 | 8,029,589,664 | | 3,890,936,215 |
| Total RWE for credit risk Before Adjustment (A)+(B) | 48,705,167,238 | 914,474,016 | 4,799,761,307 | 42,990,931,914 | | 28,593,814,523 |

| | | | | | | |
|--|----------------|-------------|---------------|----------------|--|----------------|
| 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) | 48,705,167,238 | 914,474,016 | 4,799,761,307 | 42,990,931,914 | | 28,593,814,523 |

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 | 473,599,295 | 1.60 | 757,758,871 | 757,758,871 |
| USD | 77,530 | 95.90 | 7,435,132 | 7,435,132 |
| GBP | 1,564 | 163.81 | 256,170 | 256,170 |
| EUR | 14,674 | 129.29 | 1,897,227 | 1,897,227 |
| THB | 14,939 | 2.98 | 44,491 | 44,491 |
| CHF | 915 | 106.20 | 97,193 | 97,193 |
| AUD | 1,378 | 89.18 | 122,923 | 122,923 |
| CAD | 297 | 88.70 | 26,308 | 26,308 |
| SGD | 203 | 76.92 | 15,612 | 15,612 |
| JPY | 732,845 | 0.94 | 689,559 | 689,559 |
| HKD | 3,661 | 12.37 | 45,274 | 45,274 |
| DKK | - | 17.31 | - | - |
| SEK | - | 13.98 | - | - |
| SAR | 10,102 | 25.37 | 256,267 | 256,267 |
| QAR | 13,232 | 26.13 | 345,713 | 345,713 |
| AED | 13,360 | 25.90 | 346,018 | 346,018 |
| MYR | 4,355 | 29.81 | 129,820 | 129,820 |
| KRW | - | 0.09 | - | - |
| CNY | 601 | 15.42 | 9,276 | 9,276 |
| Total Open Position (a) | | | 769,475,852 | 769,475,852 |
| Fixed Percentage (b) | | | | 5% |
| Capital Charge for Market Risk [c=(a*b)] | | | | 38,473,793 |
| Risk Weight (reciprocal of capital requirement of 10%) in times (d) | | | | 10 |
| Equivalent Risk Weight Exposure [e=(c*d)] | | | | 384,737,926 |

10. Amount of NPAs

| Classification of Loan | Gross NPA | Net NPA |
|-------------------------------|-------------|------------|
| Restructured/Rescheduled Loan | Nil | Nil |
| Sub-Standard Loan | 76,507,950 | 57,380,963 |
| Doubtful Loan | 53,749,896 | 26,874,948 |
| Loss Loan | 286,815,609 | 0 |

11. NPA ratios

| | |
|----------------------------|-------|
| Gross NPA to Gross Advance | 1.50% |
| Net NPA to Net Advances | 0.31% |

12. Movement of Non-performing Assets

| Particulars | Opening Balance | Closing Balance | Difference |
|-------------------|-----------------|-----------------|--------------|
| Sub-standard Loan | 156,525,833 | 76,507,950 | (80,017,883) |
| Doubtful Loan | 89,911,474 | 53,749,896 | (36,161,578) |
| Loss Loan | 275,836,892 | 286,815,609 | 10,978,717 |

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 | 254,800,455 | 274,213,406 | 7.62% |
| Sub-standard Loan | 39,131,458 | 19,126,988 | -51.12% |
| Doubtful Loan | 44,955,737 | 26,874,948 | -40.22% |
| Loss Loan | 275,836,892 | 286,815,609 | 3.98% |
| Personal Guarantee | 126,000 | 126,000 | 0.00% |

ii. Movement of Interest Suspense

| Particulars | Opening Balance | Closing Balance | % Change |
|-------------------|-----------------|-----------------|----------|
| Interest Suspense | 287,016,722 | 285,312,878 | -0.59% |

15. Details of additional loan loss provisions

| Particulars | Opening Balance | Closing Balance | Additional Provision |
|--------------------|-----------------|-----------------|----------------------|
| Pass Loan | 254,800,455 | 274,213,406 | 19,412,951 |
| Sub-standard Loan | 39,131,458 | 19,126,988 | (20,004,471) |
| Doubtful Loan | 44,955,737 | 26,874,948 | (18,080,789) |
| Loss Loan | 275,836,892 | 286,815,609 | 10,978,716 |
| Personal Guarantee | 126,000 | 126,000 | - |

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 | 2,984,237,587 |
| Treasury Bills | 2,079,193,103 |
| Development Bond -3 years | 270,000,000 |
| Money at Call | 48,224,484 |
| Other Investments | 586,820,000 |
| 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.
- The bank has established sound credit appraisal system and formation of committees with at least 3 members in various levels of approval of final credit disbursement. Regular site visits, analysis of market trend, value of collaterals and adjustments in its policy accordingly, will minimize credit risks.
- The bank has set up Assets Liability Management Committee chaired by CEO to manage the market risks. The bank periodically performs gap analysis of its Assets and Liabilities to manage the liquidity risks.

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