

PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL II as at 30.12.2071

Amount in NPR

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

Core Capital (Tier 1)	Amount (Rs.)
Paid up Equity Share Capital	3,140,052,767
Statutory General Reserves	431,261,370
Proposed Bonus Equity Shares	-
Share Premium	-
Retained Earnings	12,180,235
Un-audited current year cumulative profit	539,721,939
Deferred Tax Reserve	32,952,599
Less:Fictitious Assets	-
Total Core Capital (Tier I)	4,156,168,910

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

Supplementary Capital (Tier 2)	Amount
General loan loss provision	312,119,360
Exchange Equalization Reserve	75,734
Investment Adjustment Reserve	14,140,000
Total Core Capital (Tier II)	326,335,094

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)	4,156,168,910
Supplementary Capital (Tier 2)	326,335,094
Total qualifying capital	4,482,504,003

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	12.31%

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

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	32,562,005,372
Risk weighted Exposures for Operational Risk	1,919,025,928
Risk weighted exposures for Market Risk	168,800,781

Total Risk Weighted Exposures (Before adjustments of Pillar II)	34,649,832,081
<u>Adjustment under Pillar II</u>	
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.	727,000,000
Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	1,039,494,962
If desired level of disclosure requirement has not been achieved, Add.....% of RWE	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	36,416,327,044

8. Risk weighted exposure under each of 11 categories

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	9,872,723,033	-
Claims on Other Financial Entities	-	-
Claims on Banks	2,449,401,243	666,059,921
Claims on Corporate and Securities Firm	15,835,617,349	15,569,763,624
Claims on Regulatory Retail Portfolio	3,803,346,443	1,775,217,470
Claims on Secured by Residential Properties	2,172,014,047	1,340,416,137
Claims on Secured by Commercial Real Estate	1,768,867,823	1,768,867,823
Past due Claims	1,301,973,341	1,237,624,392
High Risk Claims	5,886,626,421	5,404,627,192
Other Assets	1,256,854,467	678,878,494
Off Balance Sheet Items	9,705,384,160	4,120,550,320
Total	54,052,808,328	32,562,005,372

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	1,248,859,178			1,248,859,178	0%	
Balance with Nepal Rastra Bank	5,087,930,644			5,087,930,644	0%	
Gold	303,811,394	303,811,394		-	0%	
Investment in Nepalese Government Securities	3,114,319,316			3,114,319,316	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	1,102,471,658			1,102,471,658	20%	220,494,332
Claims on Domestic banks that do not meet capital adequacy requirements	75,604,964	48,224,484		27,380,480	100%	27,380,480
Claims on Foreign Bank (ECA 0-1)	705,773,919			705,773,919	20%	141,154,784
Claims on Foreign Bank (ECA 2)	546,400,617			546,400,617	50%	273,200,308
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	19,150,086			19,150,086	20%	3,830,017
Claims on Domestic Corporate	15,835,617,349		265,853,725	15,569,763,624	100%	15,569,763,624
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)	3,803,346,443		1,436,389,817	2,366,956,626	75%	1,775,217,470
Claims fulfilling all criterion of regulatory retail except granularity				-	100%	-
Claims secured by residential properties	2,056,112,615			2,056,112,615	60%	1,233,667,569
Claims not fully secured by residential properties	-			-	150%	-
Claims secured by residential properties (Overdue)	115,901,432	9,152,864		106,748,568	100%	106,748,568
Claims secured by Commercial real estate	1,768,867,823			1,768,867,823	100%	1,768,867,823
Past due claims (except for claim secured by residential properties)	1,301,973,341	476,890,414		825,082,928	150%	1,237,624,392
High Risk claims	5,886,626,421	457,800	2,283,083,826	3,603,084,795	150%	5,404,627,192

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	73,982,530	-	-	73,982,530	150%	110,973,795
Staff loan secured by residential property	14,719,084	-	-	14,719,084	60%	8,831,450
Interest Receivable/claim on government securities	6,062,157	-	-	6,062,157	0%	-
Cash in transit and other cash items in the process of collection	1,735,174	-	-	1,735,174	20%	347,035
Other Assets (as per attachment)	1,160,355,523	601,629,308	-	558,726,214	100%	558,726,214
TOTAL	44,347,424,168	1,440,166,264	3,985,327,368	38,921,930,536		28,441,455,052

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	1,198,200,000	-	-	1,198,200,000	10%	119,820,000
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	1,275,535,406	-	57,270,294	1,218,265,111	20%	243,653,022
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)	165,139,649	-	3,909,697	161,229,951	50%	80,614,976
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)	3,129,540,756	-	269,775,656	2,859,765,099	50%	1,429,882,550
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	1,848,441,470	-	206,876,739	1,641,564,731	100%	1,641,564,731
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsement	-	-	-	-	100%	-
Unpaid portion of partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	1,566,970,485	-	-	1,566,970,485	20%	313,394,097
Irrevocable Credit commitments (Long term)	500,994,565	-	-	500,994,565	50%	250,497,282
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	20,561,831	-	-	20,561,831	200%	41,123,662
Total	9,705,384,160	-	537,832,387	9,167,551,774		4,120,550,320
Total RWE for credit risk Before Adjustment (A)+(B)	54,052,808,328	1,440,166,264	4,523,159,754	48,089,482,310		32,562,005,372
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)	54,052,808,328	1,440,166,264	4,523,159,754	48,089,482,310		32,562,005,372

ii. Risk Weighted Exposure of Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income	716,430,032	1,041,947,200	1,059,965,806
Commission and Discount Income	54,490,267	80,114,640	71,049,554
Other Operating Income	121,275,446	140,434,030	241,470,396
Exchange Fluctuation Income	15,116,120	(5,784,150)	36,164,535
Additional Interest Suspense during the period	84,266,658	135,821,772	45,289,550
Gross Income (a)	991,578,523	1,392,533,492	1,453,939,841
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a*b)]	148,736,778	208,880,024	218,090,976
Capital Requirement for operational risk (d) (average of c)			191,902,593
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure[f=(d*e)]			1,919,025,928
<i>PILLAR II ADJUSTMENT</i>			-
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]			1,919,025,928

iii. Risk Weighted Exposure of Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NPR)	Relevant Open Position
INR	173,142,159	1.60	277,027,454	277,027,454
USD	342,043	99.55	34,050,394	34,050,394
GBP	45,990	144.75	6,656,833	6,656,833
EUR	77,688	104.72	8,135,277	8,135,277
THB	8,906	3.04	27,098	27,098
CHF	1,527	100.84	154,029	154,029
AUD	1,480	74.89	110,823	110,823
CAD	1,221	78.52	95,851	95,851
SGD	176	72.42	12,733	12,733
JPY	9,433,550	0.82	7,770,872	7,770,872
HKD	5,161	12.84	66,254	66,254
DKK	6,002	14.03	84,180	84,180
SEK	-	11.22	-	-
SAR	43,514	26.33	1,145,740	1,145,740
QAR	16,104	27.13	436,819	436,819
AED	47,717	26.88	1,282,814	1,282,814
MYR	9,875	26.66	263,225	263,225
KRW	1,960,756	0.09	176,551	176,551
CNY	6,547	15.98	104,613	104,613
Total Open Position (a)			337,601,562	337,601,562
Fixed Percentage (b)				5%
Capital Charge for Market Risk [c=(a*b)]				16,880,078
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10
Equivalent Risk Weight Exposure [e=(c*d)]				168,800,781

10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	417,222,599	312,916,950
Doubtful Loan	224,280,199	112,140,099
Loss Loan	269,597,529	0

11. NPA ratios

Gross NPA to Gross Advance	2.85%
Net NPA to Net Advances	1.37%

12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	106,108,094	417,222,599	311,114,505
Doubtful Loan	402,170,097	224,280,199	(177,889,898)
Loss Loan	255,038,702	269,597,529	14,558,827

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	302,232,897	312,119,360	3.27%
Sub-standard Loan	26,527,024	104,305,650	293.21%
Doubtful Loan	201,085,049	112,140,099	-44.23%
Loss Loan	255,038,702	269,597,529	5.71%
Personal Guarantee	126,000	457,800	263.33%

ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	305,989,788	332,554,407	8.68%

15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	302,232,897	312,119,360	9,886,463
Sub-standard Loan	26,527,024	104,305,650	77,778,626
Doubtful Loan	201,085,049	112,140,099	(88,944,949)

Loss Loan	255,038,702	269,597,529	14,558,827
Personal Guarantee	126,000	457,800	331,800

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	3,897,259,920
Treasury Bills	2,844,319,316
Development Bond -3 years	270,000,000
Money at Call	48,224,484
Other Investments	734,716,119
Available for sale	73,982,530
Nepal Clearing House Ltd.	2,500,000
Mahila Sahayatri Microfinance Dev. Bank Ltd.	14,000,000
Mero Microfinance Bittiya Sanstha Ltd	14,000,000

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