

PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL III as at 30.06.2073

Amount in NPR

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

Core Capital (Tier 1)	Amount (Rs.)
Paid up Equity Share Capital	3,705,262,265
Statutory General Reserves	580,379,194
Proposed Bonus Equity Shares	-
Share Premium	-
Retained Earnings	1,125,960,000
Un-audited current year cumulative profit	251,058,129
Other Free Reserve	32,950,000
Less: Intangible Assets	10,722,843
Less: Deferred Tax Assets	37,896,000
Less: Investment in equity in licensed Financial Institutions	28,000,000
Total Core Capital (Tier I)	5,618,990,745

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

Supplementary Capital (Tier 2)	Amount
General loan loss provision	452,902,145
Exchange Equalization Reserve	75,734
Investment Adjustment Reserve	16,319,454
Total Core Capital (Tier II)	469,297,333

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

Nil

4. Deductions from Capital:

The bank has deducted to the following items in calculation of Tier I Capital:

Deduction from Tier I Capital	Amount
Intangible Assets	10,722,843
Deferred Tax Assets	37,896,000
Investment in equity in licensed Financial Institutions	28,000,000
Total Deduction from Tier I Capital	76,618,843

5. Total Qualifying Capital:

Total Qualifying Capital	Amount
Core Capital (Tier 1)	5,618,990,745
Supplementary Capital (Tier 2)	469,297,333
Total qualifying capital	6,088,288,078

6. Capital Adequacy Ratio:

Capital Adequacy Ratio	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	10.48%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	11.36%

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

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	48,430,889,009
Risk weighted Exposures for Operational Risk	2,686,580,404
Risk weighted exposures for Market Risk	103,153,997
Total Risk Weighted Exposures (Before adjustments of Pillar II)	51,220,623,410
<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.	852,700,000
Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	1,536,618,702
If desired level of disclosure requirement has not been achieved, Add.....% of RWE	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	53,609,942,112

8. Risk weighted exposure under each of 11 categories

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	11,568,825,104	-
Claims on Other Financial Entities	-	-
Claims on Banks	4,068,348,759	1,065,852,697
Claims on Corporate and Securities Firm	22,702,527,002	22,424,554,019
Claims on Regulatory Retail Portfolio	5,554,160,796	2,974,421,127
Claims on Secured by Residential Properties	3,369,936,645	2,052,893,140
Claims on Secured by Commercial Real Estate	2,139,420,827	2,139,420,827
Past due Claims	848,147,225	730,546,457
High Risk Claims	6,936,929,233	7,602,800,308
Other Assets	1,619,137,261	997,168,517
Off Balance Sheet Items	18,405,708,201	8,443,231,917
Total	77,213,141,053	48,430,889,009

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	2,159,505,149	-	-	2,159,505,149	0%	-
Balance with Nepal Rastra Bank	5,122,352,917	-	-	5,122,352,917	0%	-
Gold	146,487,711	146,487,711	-	-	0%	-
Investment in Nepalese Government Securities	4,022,676,828	-	-	4,022,676,828	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	2,467,279,742	-	-	2,467,279,742	20%	493,455,948
Claims on Domestic banks that do not meet capital adequacy requirements	48,224,484	48,224,484	-	-	100%	-
Claims on Foreign Bank (ECA 0-1)	651,453,787	-	-	651,453,787	20%	130,290,757
Claims on Foreign Bank (ECA 2)	872,759,474	-	-	872,759,474	50%	436,379,737
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	28,631,272	-	-	28,631,272	20%	5,726,254
Claims on Domestic Corporate	22,702,527,002	-	277,972,982	22,424,554,019	100%	22,424,554,019
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)	5,554,160,796	-	1,588,265,960	3,965,894,836	75%	2,974,421,127
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	3,270,636,994	-	-	3,270,636,994	60%	1,962,382,196
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	99,299,651	8,788,708	-	90,510,943	100%	90,510,943
Claims secured by Commercial real estate	2,139,420,827	-	-	2,139,420,827	100%	2,139,420,827
Past due claims (except for claim secured by residential properties)	848,147,225	361,116,254	-	487,030,971	150%	730,546,457
High Risk claims	6,936,929,233	-	1,868,395,694	5,068,533,539	150%	7,602,800,308

Investments in equity & other capital instruments of institutions listed in the stock exchange	68,472,680	-	-	68,472,680	100%	68,472,680
Investments in equity & other capital instruments of institutions not listed in the stock exchange	15,000,000	-	-	15,000,000	150%	22,500,000
Staff loan secured by residential property	30,323,422	-	-	30,323,422	60%	18,194,053
Interest Receivable/claim on government securities	29,381,656	29,381,656	-	-	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets (as per attachment)	1,475,959,503	587,957,720	-	888,001,783	100%	888,001,783
TOTAL	58,807,432,852	1,181,956,532	3,734,634,636	53,890,841,683		39,987,657,092

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	1,601,250,000	-	-	1,601,250,000	10%	160,125,000
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	2,942,908,206	-	135,203,667	2,807,704,539	20%	561,540,908
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)	700,416,515	-	24,130,616	676,285,899	50%	338,142,950
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)	6,485,407,287	-	327,228,919	6,158,178,368	50%	3,079,089,184
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	3,347,043,753	-	29,442,800	3,317,600,953	100%	3,317,600,953
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsement	-	-	-	-	100%	-
Unpaid portion of partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	2,347,044,326	-	-	2,347,044,326	20%	469,408,865
Irrevocable Credit commitments (Long term)	963,968,113	-	-	963,968,113	50%	481,984,057
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	17,670,000	-	-	17,670,000	200%	35,340,000
Total	18,405,708,201	-	516,006,002	17,889,702,199		8,443,231,917
Total RWE for credit risk Before Adjustment (A)+(B)	77,213,141,053	1,181,956,532	4,250,640,638	71,780,543,882		48,430,889,009
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)	77,213,141,053	1,181,956,532	4,250,640,638	71,780,543,882		48,430,889,009

ii. Risk Weighted Exposure of Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income	1,059,965,806	1,387,782,918	1,588,504,841
Commission and Discount Income	71,049,554	103,923,820	150,562,047
Other Operating Income	241,470,396	256,920,387	330,265,114
Exchange Fluctuation Income	36,164,535	74,147,855	100,813,834
Additional Interest Suspense during the period	45,289,550	(35,413,977)	(38,285,872)
Gross Income (a)	1,453,939,841	1,787,361,003	2,131,859,963
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a*b)]	218,090,976	268,104,150	319,778,995
Capital Requirement for operational risk (d) (average of c)			268,658,040
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure[f=(d*e)]			2,686,580,404
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]			2,686,580,404

iii. Risk Weighted Exposure of Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NPR)	Relevant Open Position
INR	106,517,450	1.60	170,427,921	170,427,921
USD	142,124	106.45	15,129,117	15,129,117
GBP	22,604	129.22	2,920,822	2,920,822
EUR	27,435	116.21	3,188,275	3,188,275
THB	28,208	3.00	84,752	84,752
CHF	3,989	107.03	426,974	426,974
AUD	3,491	80.49	280,960	280,960
CAD	1,934	80.74	156,137	156,137
SGD	4,185	76.30	319,296	319,296
JPY	5,231,028	1.02	5,334,766	5,334,766
HKD	21,718	13.71	297,796	297,796
DKK	-	15.63	-	-
SEK	-	12.00	-	-
SAR	135,468	28.16	3,815,379	3,815,379
QAR	61,535	29.00	1,784,324	1,784,324
AED	20,307	28.75	583,821	583,821
MYR	54,615	25.18	1,375,053	1,375,053
KRW	203,775	0.09	19,021	19,021
CNY	7,432	15.79	117,338	117,338
KWD	101	348.59	35,100	35,100
BHD	40	280.41	11,144	11,144
Total Open Position (a)			206,307,994	206,307,994
Fixed Percentage (b)			-	5%
Capital Charge for Market Risk [c=(a*b)]				10,315,400
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10
Equivalent Risk Weight Exposure [e=(c*d)]				103,153,997

10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	186,745,888	140,059,416
Doubtful Loan	122,017,460	61,008,730
Loss Loan	261,697,323	0

11. NPA ratios

Gross NPA to Gross Advance	1.32%
Net NPA to Net Advances	0.47%

12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	94,027,409	186,745,888	92,718,479
Doubtful Loan	86,728,182	122,017,460	35,289,278
Loss Loan	323,502,871	261,697,323	(61,805,548)

13. Write off of loans and interest suspense

Particulars	Opening Balance	Closing Balance	Difference
Loan and Interest Suspense write-off	0	-	0

14. Movements in loan loss provisions and Interest suspense

i. Movement of Loan Loss Provision

Particulars	Opening Balance	Closing Balance	% Change
Pass Loan	413,041,238	452,902,145	9.65%
Sub-standard Loan	23,506,852	46,686,472	98.61%
Doubtful Loan	43,364,091	61,008,730	40.69%
Loss Loan	323,502,871	261,697,323	-19.11%
Personal Guarantee	457,193	512,436	12.08%

ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	211,622,316	238,594,806	12.75%

15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	413,041,238	452,902,145	39,860,907
Sub-standard Loan	23,506,852	46,686,472	23,179,620
Doubtful Loan	43,364,091	61,008,730	17,644,639
Loss Loan	323,502,871	261,697,323	(61,805,548)
Personal Guarantee	457,193	512,436	55,243

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

Investment Portfolio	Amount (Rs.)
Held for Trading	-
Held to Maturity	6,852,675,410
Treasury Bills	788,526,828
Development Bond	3,234,150,000
Money at Call	1,498,224,484
Other Investments	1,331,774,098
Available for sale	83,472,680
Nepal Clearing House Ltd.	2,500,000
Mahila Sahayatri Microfinance Dev. Bank Ltd.	14,000,000
Mero Microfinance Bittiya Sanstha Ltd	14,000,000
Nepal Electronic Payment System Ltd	15,000,000
Global IME Samunnat Scheme	37,972,680

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

- Overall risk of the bank is monitored by risk management committee and Audit Committee where the board members are involved.
- To ensure sound capital assessment process; the board, management, audit committee, internal audit and compliance 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 interest rate risk, liquidity risk, exchange risk, market risk etc. 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