

# PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL II as at 30.09.2072

Amount in NPR

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

<b>Core Capital (Tier 1)</b>	<b>Amount (Rs.)</b>
Paid up Equity Share Capital	3,705,262,265
Statutory General Reserves	580,379,194
Proposed Bonus Equity Shares	-
Share Premium	-
Retained Earnings	12,432,285
Un-audited current year cumulative profit	469,222,067
Other Free Reserve	32,950,000
Less: Fictitious Assets	-
Less: Deferred Tax Assets	37,896,000
<b>Total Core Capital (Tier I)</b>	<b>4,762,349,811</b>

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

<b>Supplementary Capital (Tier 2)</b>	<b>Amount</b>
General loan loss provision	344,372,106
Exchange Equalisation Reserve	75,734
Investment Adjustment Reserve	1,686,940
<b>Total Core Capital (Tier II)</b>	<b>346,134,780</b>

## 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:

<b>Total Qualifying Capital</b>	<b>Amount</b>
Core Capital (Tier 1)	4,762,349,811
Supplementary Capital (Tier 2)	346,134,780
<b>Total qualifying capital</b>	<b>5,108,484,591</b>

## 6. Capital Adequacy Ratio:

<b>Capital Adequacy Ratio</b>	<b>Percentage</b>
Tier 1 Capital to Total Risk Weighted Exposures	11.64%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	12.48%

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

<b>Risk Weighted Exposures</b>	<b>Amount</b>
Risk weighted Exposures for Credit Risk	36,648,900,065
Risk weighted Exposures for Operational Risk	2,316,917,168

Risk weighted exposures for Market Risk	67,922,763
<b>Total Risk Weighted Exposures (Before adjustments of Pillar II)</b>	<b>39,033,739,996</b>
<b><i>Adjustment under Pillar II</i></b>	
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.	714,900,000
Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	1,171,012,200
If desired level of disclosure requirement has not been achieved, Add.....% of RWE	-
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)</b>	<b>40,919,652,196</b>

#### 8. Risk weighted exposure under each of 11 categories

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	10,632,174,492	-
Claims on Other Financial Entities	-	-
Claims on Banks	3,758,293,372	987,560,946
Claims on Corporate and Securities Firm	17,997,032,992	17,673,600,926
Claims on Regulatory Retail Portfolio	4,232,538,863	2,019,132,684
Claims on Secured by Residential Properties	2,496,379,577	1,510,329,354
Claims on Secured by Commercial Real Estate	2,594,546,038	2,594,546,038
Past due Claims	832,741,028	576,209,688
High Risk Claims	5,289,421,582	5,092,017,177
Other Assets	1,367,089,087	768,144,423
Off Balance Sheet Items	12,037,498,380	5,427,358,829
<b>Total</b>	<b>61,237,715,409</b>	<b>36,648,900,065</b>

**9. Total risk weighted exposure calculation table:**

**i. Risk Weighted Exposure of Credit Risk**

<b>A. Balance Sheet Exposures</b>	<b>Book Value (a)</b>	<b>Specific provisions (b)</b>	<b>Eligible CRM (c)</b>	<b>Net Value (d=a-b-c)</b>	<b>Risk weight (e)</b>	<b>Risk Weighted Exposures (f=d*e)</b>
Cash Balance	1,025,374,633	-	-	1,025,374,633	0%	-
Balance with Nepal Rastra Bank	3,361,691,214	-	-	3,361,691,214	0%	-
Gold	16,514,862	16,514,862	-	-	0%	-
Investment in Nepalese Government Securities	6,110,791,283	-	-	6,110,791,283	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	2,450,464,204	-	-	2,450,464,204	20%	490,092,841
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)	431,312,585	-	-	431,312,585	20%	86,262,517
Claims on Foreign Bank (ECA 2)	818,490,560	-	-	818,490,560	50%	409,245,280
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	9,801,539	-	-	9,801,539	20%	1,960,308
Claims on Domestic Corporate	17,997,032,992	-	323,432,066	17,673,600,926	100%	17,673,600,926
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)	4,232,538,863	-	1,540,361,951	2,692,176,912	75%	2,019,132,684
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	2,381,507,009	-	-	2,381,507,009	60%	1,428,904,206
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	114,872,567	33,447,418	-	81,425,149	100%	81,425,149
Claims secured by Commercial real estate	2,594,546,038	-	-	2,594,546,038	100%	2,594,546,038
Past due claims (except for claim secured by residential properties)	832,741,028	448,601,236	-	384,139,792	150%	576,209,688
High Risk claims	5,289,421,582	457,800	1,894,285,664	3,394,678,118	150%	5,092,017,177

Investments in equity & other capital instruments of institutions listed in the stock exchange	72,846,960	-	-	72,846,960	100%	72,846,960
Investments in equity & other capital instruments of institutions not listed in the stock exchange	14,000,000	-	-	14,000,000	150%	21,000,000
Staff loan secured by residential property	22,778,459	-	-	22,778,459	60%	13,667,075
Interest Receivable/claim on government securities	7,484,162	7,484,162	-	-	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets (as per attachment)	1,249,979,506	589,349,119	-	660,630,387	100%	660,630,387
<b>TOTAL</b>	<b>49,200,217,029</b>	<b>1,144,079,081</b>	<b>3,758,079,681</b>	<b>44,298,058,268</b>		<b>31,221,541,236</b>

<b>B. Off-Balance Sheet Exposures</b>	<b>Book Value (a)</b>	<b>Specific provisions (b)</b>	<b>Eligible CRM (c)</b>	<b>Net Value (d=a-b-c)</b>	<b>Risk weight (e)</b>	<b>Risk Weighted Exposures (f=d*e)</b>
Revocable Commitments	-	-	-	-	0%	-
Bills under Collection	-	-	-	-	0%	-
Forward exchange contract liabilities	1,341,250,000	-	-	1,298,750,000	10%	134,125,000
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	725,922,099	-	46,864,106	1,499,256,760	20%	135,811,599
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)	787,838,575	-	36,899,360	419,773,297	50%	375,469,607
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)	3,968,167,924	-	287,622,652	3,481,285,927	50%	1,840,272,636
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	2,063,182,384	-	71,205,167	1,979,373,538	100%	1,991,977,217
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsement	-	-	-	-	100%	-
Unpaid portion of partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	2,242,469,763	-	-	2,129,360,661	20%	448,493,953
Irrevocable Credit commitments (Long term)	877,417,635	-	-	832,841,687	50%	438,708,818
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	31,250,000	-	-	29,776,100	200%	62,500,000
<b>Total</b>	<b>12,037,498,380</b>	<b>-</b>	<b>442,591,285</b>	<b>11,670,417,970</b>		<b>5,427,358,829</b>
<b>Total RWE for credit risk Before Adjustment (A)+(B)</b>	<b>61,237,715,409</b>	<b>1,144,079,081</b>	<b>4,200,670,966</b>	<b>55,892,965,362</b>		<b>36,648,900,065</b>
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)						-
<b>Total RWE for credit risk ( After Bank's Adjustment of Pillar II)</b>	<b>61,237,715,409</b>	<b>1,144,079,081</b>	<b>4,200,670,966</b>	<b>55,892,965,362</b>		<b>36,648,900,065</b>

ii. Risk Weighted Exposure of Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income	1,041,947,200	1,059,965,806	1,387,782,918
Commission and Discount Income	80,114,640	71,049,554	103,923,820
Other Operating Income	140,434,030	241,470,396	256,920,387
Exchange Fluctuation Income	(5,784,150)	36,164,535	74,147,855
Additional Interest Suspense during the period	135,821,772	45,289,550	(35,413,977)
Gross Income (a)	1,392,533,492	1,453,939,841	1,787,361,003
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a*b)]	208,880,024	218,090,976	268,104,150
Capital Requirement for operational risk (d) (average of c)			231,691,717
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure[f=(d*e)]			2,316,917,168
<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]			-
<b>Equivalent Risk Weight Exposure [h=f+g]</b>			<b>2,316,917,168</b>

iii. Risk Weighted Exposure of Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NPR)	Relevant Open Position
INR	63,749,053	1.60	101,998,485	101,998,485
USD	(21,901)	107.00	(2,343,422)	2,343,422
GBP	11,176	154.14	1,722,787	1,722,787
EUR	56,371	116.19	6,549,854	6,549,854
THB	6,962	2.95	20,537	20,537
CHF	2,236	106.07	237,183	237,183
AUD	11,249	74.44	837,368	837,368
CAD	1,288	74.55	96,047	96,047
SGD	1,510	74.41	112,363	112,363
JPY	7,428,247	0.91	6,733,501	6,733,501
HKD	6,799	13.77	93,636	93,636
DKK	2,499	15.57	38,925	38,925
SEK	-	12.54	-	-
SAR	218,657	28.54	6,240,184	6,240,184
QAR	91,226	29.39	2,680,680	2,680,680
AED	23,032	29.13	670,954	670,954
MYR	212,330	24.42	5,184,679	5,184,679
KRW	2,087,549	0.09	184,346	184,346
CNY	3,088	16.24	50,158	50,158
KWD	90	352.09	31,688	31,688
BHD	66	283.82	18,732	18,732
<b>Total Open Position (a)</b>			<b>131,158,683</b>	<b>135,845,527</b>
<b>Fixed Percentage (b)</b>				<b>5%</b>
<b>Capital Charge for Market Risk [c=(a*b)]</b>				<b>6,792,276</b>
<b>Risk Weight (reciprocal of capital requirement of 10%) in times (d)</b>				<b>10</b>
<b>Equivalent Risk Weight Exposure [e=(c*d)]</b>				<b>67,922,763</b>

## 10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	0	0
Doubtful Loan	57,488,215	28,744,108
Loss Loan	453,304,546	0

## 11. NPA ratios

Gross NPA to Gross Advance	1.46%
Net NPA to Net Advances	0.08%

## 12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	10,900,399	-	(10,900,399)
Doubtful Loan	135,500,000	57,488,215	(78,011,785)
Loss Loan	433,867,252	453,304,546	19,437,294

## 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	330,842,111	344,372,106	4.09%
Sub-standard Loan	2,725,100	-	-100.00%
Doubtful Loan	67,750,000	28,744,108	-57.57%
Loss Loan	433,867,252	453,304,546	4.48%
Personal Guarantee	457,800	457,800	0.00%

### ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	303,494,198	264,656,945	-12.80%

## 15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	330,842,111	344,372,106	13,529,995
Sub-standard Loan	2,725,100	-	(2,725,100)
Doubtful Loan	67,750,000	28,744,108	(39,005,892)
Loss Loan	433,867,252	453,304,546	19,437,294
Personal Guarantee	457,800	457,800	-

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

<b>Investment Portfolio</b>	<b>Amount (Rs.)</b>
Held for Trading	-
<b>Held to Maturity</b>	<b>7,945,320,541</b>
Treasury Bills	1,926,641,283
Development Bond	4,184,150,000
Money at Call	848,224,484
Other Investments	986,304,774
<b>Available for sale</b>	<b>86,846,960</b>
Nepal Clearing House Ltd.	2,500,000
Mahila Sahayatri Microfinance Dev. Bank Ltd.	14,000,000
Mero Microfinance Bittiya Sanstha Ltd	14,000,000
NMB Sulav Fund -1	15,659,980
NIBL Samriddhi Fund - 1	27,822,550
Laxmi Mutual Fund -1	12,864,430

**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, 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 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