

PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL III as at 2075.03.32

Amount in NPR

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

Core Capital (Tier 1)	Amount (Rs.)
Paid up Equity Share Capital	8,033,298,870
Statutory General Reserves	1,245,144,080
Proposed Bonus Equity Shares	-
Share Premium	-
Retained Earnings	81,860,655
Un-audited current year cumulative profit	1,887,610,114
Capital Redemption Reserve	-
Other Free Reserve	45,526,308
Less: Intangible Assets	5,279,064
Less: Deferred Tax Assets	57,374,746
Less: Investment in equity in licensed Financial Institutions	28,000,000
Total Core Capital (Tier I)	11,202,786,217

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

Supplementary Capital (Tier 2)	Amount
General loan loss provision	722,477,212
Exchange Equalization Reserve	75,734
Investment Adjustment Reserve	12,422,775
Total Core Capital (Tier II)	734,975,720

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	5,279,064
Deferred Tax Assets	57,374,746
Investment in equity in licensed Financial Institutions	28,000,000
Total Deduction from Tier I Capital	90,653,810

5. Total Qualifying Capital:

Total Qualifying Capital	Amount
Core Capital (Tier 1)	11,202,786,217
Supplementary Capital (Tier 2)	734,975,720
Total qualifying capital	11,937,761,937

6. Capital Adequacy Ratio:

Capital Adequacy Ratio	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	11.76%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	12.54%

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

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	87,886,608,042
Risk weighted Exposures for Operational Risk	3,367,482,488
Risk weighted exposures for Market Risk	103,615,801
Total Risk Weighted Exposures (Before adjustments of Pillar II)	91,357,706,331
<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 4 % of gross income.	1,126,000,000
Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	2,740,731,190
If desired level of disclosure requirement has not been achieved, Add.....% of RWE	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	95,224,437,521

8. Risk weighted exposure under each of 11 categories

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	18,556,223,060	-
Claims on Other Financial Entities	-	-
Claims on Banks	7,786,439,535	2,387,487,730
Claims on Corporate and Securities Firm	37,313,026,947	37,110,145,527
Claims on Regulatory Retail Portfolio	11,851,899,380	6,840,673,857
Claims on Secured by Residential Properties	5,751,271,939	3,463,763,614
Claims on Secured by Commercial Real Estate	5,211,932,631	5,211,932,631
Past due Claims	1,086,210,970	1,159,638,612
High Risk Claims	6,369,513,025	5,865,002,300
Other Assets	2,775,455,024	1,698,389,982
Off Balance Sheet Items	44,586,386,691	24,149,573,791
Total	141,288,359,201	87,886,608,042

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	2,427,538,860	-	-	2,427,538,860	0%	-
Balance with Nepal Rastra Bank	8,815,836,010	-	-	8,815,836,010	0%	-
Gold	(0)	(0)	-	-	0%	-
Investment in Nepalese Government Securities	7,171,929,200	-	-	7,171,929,200	0%	-
All claims on Government of Nepal	140,918,990	-	-	140,918,990	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	3,609,482,241	-	-	3,609,482,241	20%	721,896,448
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)	1,316,607,733	-	-	1,316,607,733	20%	263,321,547
Claims on Foreign Bank (ECA 2)	2,799,482,398	-	-	2,799,482,398	50%	1,399,741,199
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	12,642,679	-	-	12,642,679	20%	2,528,536
Claims on Domestic Corporate	37,313,026,947	-	202,881,420	37,110,145,527	100%	37,110,145,527
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)	11,851,899,380	-	2,731,000,904	9,120,898,476	75%	6,840,673,857
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	5,706,308,873	-	-	5,706,308,873	60%	3,423,785,324
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	44,963,066	4,984,776	-	39,978,290	100%	39,978,290
Claims secured by Commercial real estate	5,211,932,631	-	-	5,211,932,631	100%	5,211,932,631
Past due claims (except for claim secured by residential properties)	1,086,210,970	313,118,562	-	773,092,408	150%	1,159,638,612
High Risk claims	6,369,513,025	1,050,000	2,458,461,491	3,910,001,534	150%	5,865,002,300

Investments in equity & other capital instruments of institutions listed in the stock exchange	546,138,727	-	-	546,138,727	100%	546,138,727
Investments in equity & other capital instruments of institutions not listed in the stock exchange	19,100,000	15,000,000	-	4,100,000	150%	6,150,000
Staff loan secured by residential property	72,491,690	-	-	72,491,690	60%	43,495,014
Interest Receivable/claim on government securities	67,721,168	67,721,168	-	-	0%	-
Cash in transit and other cash items in the process of collection	136,837,339	-	-	136,837,339	20%	27,367,468
Other Assets (as per attachment)	1,933,166,100	857,927,327	-	1,075,238,773	100%	1,075,238,773
TOTAL	96,701,972,510	1,308,026,318	5,392,343,815	90,001,602,378		63,737,034,252

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	3,368,151,276	-	-	3,368,151,276	10%	336,815,128
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	3,997,347,009	-	180,092,475	3,817,254,533	20%	763,450,907
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)	3,751,409,728	-	87,891,827	3,663,517,901	50%	1,831,758,950
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)	17,135,614,238	-	792,632,605	16,342,981,633	50%	8,171,490,817
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	11,573,242,820	-	141,670,574	11,431,572,247	100%	11,431,572,247
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsement	155,187,221	-	-	155,187,221	100%	155,187,221
Unpaid portion of partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	3,382,114,783	-	-	3,382,114,783	20%	676,422,957
Irrevocable Credit commitments (Long term)	1,079,676,102	-	-	1,079,676,102	50%	539,838,051
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective capital requirement	-	-	-	-	20%	-
Other Contingent Liabilities	44,249,514	-	-	44,249,514	100%	44,249,514
Unpaid Guarantee Claims	99,394,000	-	-	99,394,000	200%	198,788,000
Total	44,586,386,691	-	1,202,287,481	43,384,099,210		24,149,573,791
Total RWE for credit risk Before Adjustment (A)+(B)	141,288,359,201	1,308,026,318	6,594,631,296	133,385,701,588		87,886,608,042
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)	141,288,359,201	1,308,026,318	6,594,631,296	133,385,701,588		87,886,608,042

ii. Risk Weighted Exposure of Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income	1,387,782,918	1,588,461,085	1,904,341,193
Commission and Discount Income	103,923,820	150,562,047	362,216,883
Other Operating Income	256,920,387	331,044,044	419,802,480
Exchange Fluctuation Income	74,147,855	100,813,834	122,512,091
Additional Interest Suspense during the period	(35,413,977)	(38,285,872)	6,136,187
Gross Income (a)	1,787,361,003	2,132,595,138	2,815,008,834
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a*b)]	268,104,150	319,889,271	422,251,325
Capital Requirement for operational risk (d) (average of c)			336,748,249
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure[f=(d*e)]			3,367,482,488
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			10
Equivalent Risk Weight Exposure[g]			-
Equivalent Risk Weight Exposure [h=f+g]			3,367,482,488

iii. Risk Weighted Exposure of Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NPR)	Relevant Open Position
INR	87,422,920	1.60	139,876,673	139,876,673
USD	491,056	109.40	53,721,473	53,721,473
GBP	25,850	144.27	3,729,399	3,729,399
EUR	21,583	127.28	2,747,096	2,747,096
THB	32,249	3.28	105,777	105,777
CHF	804	108.70	87,416	87,416
AUD	4,947	80.59	398,680	398,680
CAD	10,041	82.85	831,934	831,934
SGD	4,048	79.89	323,387	323,387
JPY	1,581,700	0.97	1,531,876	1,531,876
HKD	6,611	13.93	92,095	92,095
DKK	15,879	17.07	271,049	271,049
SEK	-	12.28	-	-
SAR	49,195	28.94	1,423,711	1,423,711
QAR	12,194	29.81	363,511	363,511
AED	16,418	29.55	485,141	485,141
MYR	15,419	26.83	413,698	413,698
KRW	602,487	0.10	58,140	58,140
CNY	20,876	16.32	340,704	340,704
KWD	1,201	357.91	429,843	429,843
BHD	-	286.78	-	-
Total Open Position (a)			207,231,603	207,231,603
Fixed Percentage (b)			-	5%
Capital Charge for Market Risk [c=(a*b)]				10,361,580
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10
Equivalent Risk Weight Exposure [e=(c*d)]				103,615,801

10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	126,285,052	94,713,789
Doubtful Loan	111,355,246	55,677,623
Loss Loan	230,728,649	-

11. NPA ratios

Gross NPA to Gross Loan & Advance	0.66%
Net NPA to Net Loan & Advances	0.22%

12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	157,253,416	126,285,052	(30,968,364)
Doubtful Loan	74,977,772	111,355,246	36,377,474
Loss Loan	283,611,553	230,728,649	(52,882,904)

13. Write off of loans and interest suspense

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

14. Movements in loan loss provisions and Interest suspense

i. Movement of Loan Loss Provision

Particulars	Opening Balance	Closing Balance	% Change
Pass Loan	573,306,828	697,846,506	21.72%
Watch list	41,756,526	24,630,706	-41.01%
Sub-standard Loan	39,313,354	31,571,263	-19.69%
Doubtful Loan	37,488,886	55,677,623	48.52%
Loss Loan	283,611,553	230,728,649	-18.65%
Personal Guarantee	1,385,734	1,175,803	-15.15%

ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	217,749,216	322,919,211	48.30%

15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	573,306,828	697,846,506	124,539,678.0
Watch List	41,756,526	24,630,706	(17,125,820.3)
Sub-standard Loan	39,313,354	31,571,263	(7,742,091.1)
Doubtful Loan	37,488,886	55,677,623	18,188,737.0
Loss Loan	283,611,553	230,728,649	(52,882,903.6)
Personal Guarantee	1,385,734	1,175,803	(209,931.0)

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	10,186,803,694
Treasury Bills	784,539,200
Development Bond	6,387,390,000
Money at Call	48,224,484
Other Investments	2,966,650,010
Available for sale	565,238,727
Global IME Samunnat Scheme-1	37,978,706
Laxmi Equity Fund	58,495,870
Mahila Sahayatra Micro Finance Bittiya Sanstha Ltd.	14,000,000
Mero Micro Finance Bittiya Sanstha Ltd.	14,000,000
Nabil Equity Fund	11,265,040
Neco Insurance Co. Ltd.	170,840,124
Nepal Clearing House Ltd.	2,600,000
Nepal Doorsanchar Co. Ltd.	88,507,473
Nepal Electronic Payment System Ltd.	15,000,000
Nerude Laghubitta Bikas Bank Ltd-Promoter	14,025,200
NIBL Pragati Fund	10,299,322
NLG Insurance Co. Ltd.	114,090,863
NMB Hybrid Fund	12,636,128
Prabhu Capital Ltd.	1,500,000

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.

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

Nil