

PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL III as at 31.06.2074

Amount in NPR

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

Core Capital (Tier 1)	Amount (Rs.)
Paid up Equity Share Capital	6,325,432,181
Statutory General Reserves	1,246,667,372
Proposed Bonus Equity Shares	-
Share Premium	181,260,155
Retained Earnings	1,256,221,279
Un-audited current year cumulative profit	338,296,224
Capital Redemption Reserve	358,265,319
Other Free Reserve	66,823,760
Less: Intangible Assets	5,507,725
Less: Deferred Tax Assets	57,372,339
Less: Investment in equity in licensed Financial Institutions	28,000,000
Total Core Capital (Tier I)	9,682,086,225

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

Supplementary Capital (Tier 2)	Amount
General loan loss provision	608,691,271
Exchange Equalization Reserve	75,734
Investment Adjustment Reserve	11,448,489
Total Core Capital (Tier II)	620,215,494

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	5,507,725.06
Deferred Tax Assets	57,372,338.52
Investment in equity in licensed Financial Institutions	28,000,000.00
Total Deduction from Tier I Capital	90,880,063.58

5. Total Qualifying Capital:

Total Qualifying Capital	Amount
Core Capital (Tier 1)	9,682,086,225
Supplementary Capital (Tier 2)	620,215,494
Total qualifying capital	10,302,301,719

6. Capital Adequacy Ratio:

Capital Adequacy Ratio	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	12.12%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	12.90%

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

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	73,001,594,013
Risk weighted Exposures for Operational Risk	3,367,482,488
Risk weighted exposures for Market Risk	86,097,769
Total Risk Weighted Exposures (Before adjustments of Pillar II)	76,455,174,269
<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.	1,126,000,000
Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	2,293,655,228
If desired level of disclosure requirement has not been achieved, Add.....% of RWE	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	79,874,829,497

8. Risk weighted exposure under each of 11 categories

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	16,045,653,913	-
Claims on Other Financial Entities	-	-
Claims on Banks	7,047,913,822	2,276,796,686
Claims on Corporate and Securities Firm	30,647,189,285	30,454,706,330
Claims on Regulatory Retail Portfolio	8,698,209,941	4,670,377,923
Claims on Secured by Residential Properties	3,723,154,653	2,253,011,397
Claims on Secured by Commercial Real Estate	6,304,285,250	6,304,285,250
Past due Claims	1,189,430,618	1,137,747,947
High Risk Claims	6,797,345,745	6,769,641,151
Other Assets	2,797,700,336	1,610,836,864
Off Balance Sheet Items	34,900,009,923	17,524,190,463
Total	118,150,893,488	73,001,594,013

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	2,482,304,394	-	-	2,482,304,394	0%	-
Balance with Nepal Rastra Bank	6,852,538,324	-	-	6,852,538,324	0%	-
Gold	23,970,654	23,970,654	-	-	0%	-
Investment in Nepalese Government Securities	6,545,921,550	-	-	6,545,921,550	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	3,531,232,238	-	-	3,531,232,238	20%	706,246,448
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)	544,517,564	-	-	544,517,564	20%	108,903,513
Claims on Foreign Bank (ECA 2)	2,922,862,729	-	-	2,922,862,729	50%	1,461,431,365
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	1,076,807	-	-	1,076,807	20%	215,361
Claims on Domestic Corporate	30,647,189,285	-	192,482,955	30,454,706,330	100%	30,454,706,330
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)	8,698,209,941	-	2,471,039,377	6,227,170,564	75%	4,670,377,923
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	3,641,551,268	-	-	3,641,551,268	60%	2,184,930,761
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	81,603,386	13,522,749	-	68,080,637	100%	68,080,637
Claims secured by Commercial real estate	6,304,285,250	-	-	6,304,285,250	100%	6,304,285,250
Past due claims (except for claim secured by residential properties)	1,189,430,618	430,931,987	-	758,498,631	150%	1,137,747,947
High Risk claims	6,797,345,745	-	2,284,251,644	4,513,094,101	150%	6,769,641,151

Investments in equity & other capital instruments of institutions listed in the stock exchange	522,424,453	-	-	522,424,453	100%	522,424,453
Investments in equity & other capital instruments of institutions not listed in the stock exchange	19,100,000	-	-	19,100,000	150%	28,650,000
Staff loan secured by residential property	62,002,676	-	-	62,002,676	60%	37,201,606
Interest Receivable/claim on government securities	69,698,393	69,698,393	-	-	0%	-
Cash in transit and other cash items in the process of collection	374,789,440	-	-	374,789,440	20%	74,957,888
Other Assets (as per attachment)	1,749,685,374	802,082,457	-	947,602,917	100%	947,602,917
TOTAL	83,250,883,564	1,388,430,723	4,947,773,976	76,914,678,865		55,477,403,550

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	2,832,986,543	-	-	2,832,986,543	10%	283,298,654
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	3,356,968,430	-	181,019,262	3,175,949,169	20%	635,189,834
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)	4,146,405,914	-	163,680,400	3,982,725,514	50%	1,991,362,757
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)	13,760,518,331	-	609,388,935	13,151,129,396	50%	6,575,564,698
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	7,135,599,002	-	93,042,163	7,042,556,839	100%	7,042,556,839
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsement	-	-	-	-	100%	-
Unpaid portion of partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	2,823,217,235	-	-	2,823,217,235	20%	564,643,447
Irrevocable Credit commitments (Long term)	838,036,468	-	-	838,036,468	50%	419,018,234
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	6,278,000	-	-	6,278,000	200%	12,556,000
Total	34,900,009,923	-	1,047,130,760	33,852,879,163		17,524,190,463
Total RWE for credit risk Before Adjustment (A)+(B)	118,150,893,488	1,388,430,723	5,994,904,736	110,767,558,029		73,001,594,013
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)	118,150,893,488	1,388,430,723	5,994,904,736	110,767,558,029		73,001,594,013

ii. Risk Weighted Exposure of Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income	1,387,782,918.0 0	1,588,461,085.0 0	1,904,341,192.8 9
Commission and Discount Income	103,923,820.00	150,562,047.00	362,216,883.41
Other Operating Income	256,920,387.00	331,044,044.00	419,802,479.97
Exchange Fluctuation Income	74,147,855.00	100,813,834.00	122,512,090.85
Additional Interest Suspense during the period	(35,413,977.00)	(38,285,872.00)	6,136,187.00
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	101,136,825	1.60	161,818,920	161,818,920
USD	(20,589)	103.65	(2,134,032)	2,134,032
GBP	7,267	137.44	998,838	998,838
EUR	18,829	121.93	2,295,801	2,295,801
THB	3,487	3.12	10,878	10,878
CHF	935	105.50	98,631	98,631
AUD	2,018	80.88	163,187	163,187
CAD	1,171	82.34	96,392	96,392
SGD	2,359	76.16	179,645	179,645
JPY	3,335,196	0.92	3,082,722	3,082,722
HKD	1,003	13.27	13,310	13,310
DKK	-	16.31	-	-
SEK	-	12.70	-	-
SAR	23,896	27.42	655,241	655,241
QAR	6,243	28.23	176,235	176,235
AED	4,934	27.99	138,107	138,107
MYR	9,553	24.38	232,914	232,914
KRW	-	0.09	-	-
CNY	5,824	15.64	91,089	91,089
KWD	16	340.08	5,479	5,479
BHD	15	272.66	4,117	4,117
Total Open Position (a)			167,927,473	172,195,538
Fixed Percentage (b)			-	5%
Capital Charge for Market Risk [c=(a*b)]				8,609,777
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10
Equivalent Risk Weight Exposure [e=(c*d)]				86,097,769

10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	418,320,633.02	313,740,474.77
Doubtful Loan	126,975,967.51	63,487,983.76
Loss Loan	275,420,593.38	-

11. NPA ratios

Gross NPA to Gross Advance	1.37%
Net NPA to Net Advances	0.64%

12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	111,873,787	418,320,633	306,446,846
Doubtful Loan	77,377,772	126,975,968	49,598,196
Loss Loan	270,036,307	275,420,593	5,384,286

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	574,287,703	588,567,426	2.49%
Watch list	38,310,528	20,123,844	-47.47%
Sub-standard Loan	27,968,447	104,580,158	273.92%
Doubtful Loan	38,688,886	63,487,984	64.10%
Loss Loan	270,036,307	275,420,593	1.99%
Personal Guarantee	1,385,734	966,000	-30.29%

ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	217,422,277.93	336,315,815.70	54.68%

15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	574,287,703	588,567,426	14,279,723
Watch List	38,310,528	20,123,844	(18,186,684)
Sub-standard Loan	27,968,447	104,580,158	76,611,711
Doubtful Loan	38,688,886	63,487,984	24,799,098
Loss Loan	270,036,307	275,420,593	5,384,286
Personal Guarantee	1,385,734	966,000	(419,734)

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	8,570,690,151
Treasury Bills	782,441,550
Development Bond	5,463,480,000
Money at Call	248,224,484
Other Investments	2,076,544,117
Available for sale	541,524,452.79
NGADI GROUP POWER LIMITED	57,900.00
PRABHU CAPITAL LIMITED	1,500,000.00
NERUDE LAGHUBITTA LTD.-ORDINARY	4,275,000.00
NERUDE LAGHUBITTA LTD.-PROMOTER	14,025,200.00
LAXMI EQUITY FUND	58,495,870.00
MAHILA SAHAYATRA MICROFINANCE BITTYA SASTHA LTD	14,000,000.00
MERO MICRO FINANCE BITTIYA SASTHA LTD	14,000,000.00
GLOBAL IME SAMUNNAT SCHEME-1	37,978,705.67
NEPS LTD.	15,000,000.00
NMB HYBIRD FUND	12,636,128.02
NABIL EQUITY FUND	11,265,040.00
NEPAL DOORSANCHAR CO.LTD (NTC)	197,873,455.32
NIBL PRAGATI FUND	10,299,322.45
NEPAL CLEARING HOUSE LTD	2,600,000.00
NECO INSURANCE LTD	91,409,553.31
NLG INSURANCE CO.LTD	56,108,278.02

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