

PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL III as at 2075.06.31

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	1,806,411,506
Un-audited current year cumulative profit	428,561,126
Capital Redemption Reserve	-
Other Free Reserve	45,526,308
Less: Fictitious Assets	-
Less: Intangible Assets	8,962,554
Less: Deferred Tax Assets	72,877,854
Less: Investment in equity in licensed Financial Institutions	28,000,000
Total Core Capital (Tier I)	11,449,101,482

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

Supplementary Capital (Tier 2)	Amount
General loan loss provision	766,214,591
Exchange Equalization Reserve	75,734
Investment Adjustment Reserve	-
Total Core Capital (Tier II)	766,290,325

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	8,962,554
Deferred Tax Assets	72,877,854
Investment in equity in licensed Financial Institutions	28,000,000
Total Deduction from Tier I Capital	109,840,408

5. Total Qualifying Capital:

Total Qualifying Capital	Amount
Core Capital (Tier 1)	11,449,101,482
Supplementary Capital (Tier 2)	766,290,325
Total qualifying capital	12,215,391,806

6. Capital Adequacy Ratio:

Capital Adequacy Ratio	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	11.40%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	12.16%

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

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	91,522,884,780
Risk weighted Exposures for Operational Risk	4,391,499,539
Risk weighted exposures for Market Risk	88,409,497
Total Risk Weighted Exposures (Before adjustments of Pillar II)	96,002,793,815
<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 4 % of gross income.	1,534,200,000
Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	2,880,083,814
If desired level of disclosure requirement has not been achieved, Add.....% of RWE	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	100,417,077,630

8. Risk weighted exposure under each of 11 categories

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	13,355,617,692	-
Claims on Other Financial Entities	-	-
Claims on Banks	7,479,439,760	2,201,583,052
Claims on Corporate and Securities Firm	38,942,139,804	38,704,446,812
Claims on Regulatory Retail Portfolio	11,986,347,299	6,976,663,860
Claims on Secured by Residential Properties	5,797,334,721	3,489,395,265
Claims on Secured by Commercial Real Estate	5,158,072,202	5,158,072,202
Past due Claims	1,433,914,383	1,371,349,817
High Risk Claims	6,306,991,665	6,568,703,643
Other Assets	3,187,801,037	1,989,558,819
Off Balance Sheet Items	46,700,019,981	25,063,111,310
Total	140,347,678,546	91,522,884,780

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	2,022,649,476	-	-	2,022,649,476	0%	-
Balance with Nepal Rastra Bank	3,017,305,026	-	-	3,017,305,026	0%	-
Gold	(0)	(0)	-	-	0%	-
Investment in Nepalese Government Securities	8,174,744,200	-	-	8,174,744,200	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	3,794,331,981	-	-	3,794,331,981	20%	758,866,396
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)	1,241,371,603	-	-	1,241,371,603	20%	248,274,321
Claims on Foreign Bank (ECA 2)	2,384,466,655	-	-	2,384,466,655	50%	1,192,233,328
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	11,045,036	-	-	11,045,036	20%	2,209,007
Claims on Domestic Corporate	38,942,139,804	-	237,692,993	38,704,446,812	100%	38,704,446,812
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)	11,986,347,299	-	2,684,128,819	9,302,218,480	75%	6,976,663,860
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	5,745,220,746	-	-	5,745,220,746	60%	3,447,132,448
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	52,113,975	9,851,157	-	42,262,817	100%	42,262,817
Claims secured by Commercial real estate	5,158,072,202	-	-	5,158,072,202	100%	5,158,072,202

Past due claims (except for claim secured by residential properties)	1,433,914,383	519,681,172	-	914,233,211	150%	1,371,349,817
High Risk claims	6,306,991,665	-	1,927,855,903	4,379,135,762	150%	6,568,703,643
Investments in equity & other capital instruments of institutions listed in the stock exchange	561,225,349	-	-	561,225,349	100%	561,225,349
Investments in equity & other capital instruments of institutions not listed in the stock exchange	22,100,000	-	-	22,100,000	150%	33,150,000
Staff loan secured by residential property	85,016,428	-	-	85,016,428	60%	51,009,857
Interest Receivable/claim on government securities	97,016,317	97,016,317	-	-	0%	-
Cash in transit and other cash items in the process of collection	49,253,048	-	-	49,253,048	20%	9,850,610
Other Assets (as per attachment)	2,373,189,895	1,038,866,892	-	1,334,323,003	100%	1,334,323,003
TOTAL	93,647,658,565	1,713,640,023	4,849,677,715	87,084,340,827		66,459,773,469

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	3,498,395,758	-	-	3,498,395,758	10%	349,839,576
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	4,429,712,596	-	295,432,134	4,134,280,461	20%	826,856,092
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)	3,988,705,172	-	91,767,863	3,896,937,309	50%	1,948,468,654
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)	17,150,286,957	-	760,581,075	16,389,705,882	50%	8,194,852,941
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	11,539,718,271	-	93,071,836	11,446,646,435	100%	11,446,646,435
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsement	334,182,803	-	-	334,182,803	100%	334,182,803
Unpaid portion of partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	4,088,583,712	-	-	4,088,583,712	20%	817,716,742
Irrevocable Credit commitments (Long term)	1,464,214,240	-	-	1,464,214,240	50%	732,107,120
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	206,220,473	-	-	206,220,473	200%	412,440,946
Total	46,700,019,981	-	1,240,852,908	45,459,167,074		25,063,111,310
Total RWE for credit risk Before Adjustment (A)+(B)	140,347,678,546	1,713,640,023	6,090,530,623	132,543,507,901		91,522,884,780
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)	140,347,678,546	1,713,640,023	6,090,530,623	132,543,507,901		91,522,884,780

ii. Risk Weighted Exposure of Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income	1,588,461,085.00	1,904,341,192.89	2,562,109,610.00
Commission and Discount Income	150,562,047.00	362,216,883.41	475,753,880.00
Other Operating Income	331,044,044.00	419,802,479.97	507,284,320.00
Exchange Fluctuation Income	100,813,834.00	122,512,090.85	185,077,300.00
Additional Interest Suspense during the period	(38,285,872.00)	6,136,187.00	105,169,995.34
Gross Income (a)	2,132,595,138	2,815,008,834	3,835,395,105
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a*b)]	319,889,271	422,251,325	575,309,266
Capital Requirement for operational risk (d) (average of c)			439,149,954
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure[f=(d*e)]			4,391,499,539
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]			4,391,499,539

iii. Risk Weighted Exposure of Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NPR)	Relevant Open Position
INR	101,834,935	1.60	162,935,896	162,935,896
USD	36,416	117.90	4,293,419	4,293,419
GBP	12,341	153.95	1,899,864	1,899,864
EUR	(8,387)	135.53	(1,136,749)	1,136,749
THB	2,160	3.59	7,754	7,754
CHF	804	118.41	95,188	95,188
AUD	2,380	83.17	197,903	197,903
CAD	9,447	90.17	851,811	851,811
SGD	4,913	85.21	418,633	418,633
JPY	30,725	1.05	32,178	32,178
HKD	21,594	15.03	324,565	324,565
DKK	15,878	18.16	288,350	288,350
SEK	7,100	13.09	92,935	92,935
SAR	68,640	31.19	2,140,888	2,140,888
QAR	20,738	32.13	666,327	666,327
AED	7,232	31.84	230,279	230,279
MYR	24,147	28.17	680,232	680,232
KRW	-	0.10	-	-
CNY	2,210	17.01	37,588	37,588
KWD	1,268	385.07	488,434	488,434
		310.43		
BHD	-		-	-
Total Open Position (a)			174,545,496	176,818,994
Fixed Percentage (b)			-	5%
Capital Charge for Market Risk [c=(a*b)]				8,840,950
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10
Equivalent Risk Weight Exposure [e=(c*d)]				88,409,497

10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	562,756,727	422,067,546
Doubtful Loan	151,444,430	75,722,215
Loss Loan	312,994,933	-

11. NPA ratios

Gross NPA to Gross Loan & Advance	1.41%
Net NPA to Net Loan & Advances	0.70%

12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	126,285,052	562,756,727	436,471,675
Doubtful Loan	111,355,246	151,444,430	40,089,184
Loss Loan	230,728,649	312,994,933	82,266,284

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	695,514,825	705,692,771	1.46%
Watch list	36,289,112	60,521,820	66.78%
Sub-standard Loan	31,571,263	140,689,182	345.62%
Doubtful Loan	55,677,623	75,722,215	36.00%
Loss Loan	230,728,649	312,994,933	35.65%
Personal Guarantee	1,175,803	126,000	-89.28%

ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	322,919,211	557,351,941	72.60%

15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	695,514,825	705,692,771	10,177,946.1
Watch List	36,289,112	60,521,820	24,232,707.6
Sub-standard Loan	31,571,263	140,689,182	109,117,918.9
Doubtful Loan	55,677,623	75,722,215	20,044,592.0
Loss Loan	230,728,649	312,994,933	82,266,283.8
Personal Guarantee	1,175,803	126,000	(1,049,803.0)

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	11,691,830,292
Treasury Bills	1,281,804,200
Deposit Collection	500,000,000
Development Bond	6,392,940,000
Money at Call	148,224,484
Other Investments	3,368,861,608
Available for sale	583,325,349
BANKING FINANCE AND INSURANCE INSTITUTE OF NEPAL LTD.	3,000,000.00
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 COMPANY LTD.	172,866,982
NEPAL CLEARING HOUSE LTD.	2,600,000
NEPAL DOORSANCHAR CO.LTD (NTC)	88,507,473
NEPS LTD.	15,000,000
NERUDE LAGHUBITTA BITTIYA SANSTHA LTD.	14,025,200
NIBL PRAGATI FUND	10,299,322
NLG INSURANCE CO.LTD	127,150,628
NMB HYBIRD FUND	12,636,128
PRABHU CAPITAL LIMITED	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