

PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL III as at 2075.09.30

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	1,590,393,302
Proposed Bonus Equity Shares	-
Share Premium	-
Retained Earnings	1,335,887,667
Un-audited current year cumulative profit	934,268,093
Capital Redemption Reserve	-
Other Free Reserve	33,163,681
Less: Fictitious Assets	-
Less: Intangible Assets	9,142,072
Less: Deferred Tax Assets	72,877,854
Less: Investment in equity in licensed Financial Institutions	28,000,000
Total Core Capital (Tier I)	11,816,991,687

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

Supplementary Capital (Tier 2)	Amount
General loan loss provision	789,312,344
Exchange Equalization Reserve	1,875,723
Investment Adjustment Reserve	16,500,000
Total Core Capital (Tier II)	807,688,067

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	9,142,072
Deferred Tax Assets	72,877,854
Investment in equity in licensed Financial Institutions	28,000,000
Total Deduction from Tier I Capital	110,019,925

5. Total Qualifying Capital:

Total Qualifying Capital	Amount
Core Capital (Tier 1)	11,816,991,687
Supplementary Capital (Tier 2)	807,688,067
Total qualifying capital	12,624,679,754

6. Capital Adequacy Ratio:

Capital Adequacy Ratio	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	11.87%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	12.68%

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

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	90,595,606,472
Risk weighted Exposures for Operational Risk	4,391,499,539
Risk weighted exposures for Market Risk	153,883,574
Total Risk Weighted Exposures (Before adjustments of Pillar II)	95,140,989,584
<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	2,854,229,688
If desired level of disclosure requirement has not been achieved, Add.....% of RWE	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	99,529,419,272

8. Risk weighted exposure under each of 11 categories

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	12,981,271,598	-
Claims on Other Financial Entities	-	-
Claims on Banks	7,105,094,004	2,107,059,380
Claims on Corporate and Securities Firm	38,633,176,357	38,379,042,935
Claims on Regulatory Retail Portfolio	13,010,080,462	7,591,571,088
Claims on Secured by Residential Properties	4,666,978,061	2,813,462,713
Claims on Secured by Commercial Real Estate	4,600,875,454	4,600,875,454
Past due Claims	1,743,327,492	1,532,812,133
High Risk Claims	5,652,279,786	4,711,021,644
Lending against Securities (Bond & Shares)	2,063,570,883	2,058,752,810
Other Assets	3,176,015,575	1,976,646,480
Off Balance Sheet Items	45,391,376,197	24,824,361,836
Total	139,024,045,869	90,595,606,472

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	1,754,412,174	-	-	1,754,412,174	0%	-
Balance with Nepal Rastra Bank	3,877,557,976	-	-	3,877,557,976	0%	-
Gold	20,208,659	20,208,659	-	-	0%	-
Investment in Nepalese Government Securities	7,188,173,800	-	-	7,188,173,800	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	3,501,120,823	-	-	3,501,120,823	20%	700,224,165
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)	1,201,843,716	-	-	1,201,843,716	20%	240,368,743
Claims on Foreign Bank (ECA 2)	2,318,951,586	-	-	2,318,951,586	50%	1,159,475,793
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	34,953,395	-	-	34,953,395	20%	6,990,679
Claims on Domestic Corporate	38,633,176,357	-	254,133,422	38,379,042,935	100%	38,379,042,935
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)	13,010,080,462	-	2,887,985,679	10,122,094,784	75%	7,591,571,088
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	4,604,660,758	-	-	4,604,660,758	60%	2,762,796,455
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	62,317,303	11,651,045	-	50,666,258	100%	50,666,258
Claims secured by Commercial real estate	4,600,875,454	-	-	4,600,875,454	100%	4,600,875,454

Past due claims (except for claim secured by residential properties)	1,743,327,492	721,452,736	-	1,021,874,755	150%	1,532,812,133
High Risk claims	5,652,279,786	-	2,511,598,690	3,140,681,096	150%	4,711,021,644
Lending against Securities(Bond & Shares)	2,063,570,883	-	4,818,073	2,058,752,810	100%	2,058,752,810
Investments in equity & other capital instruments of institutions listed in the stock exchange	561,184,349	-	-	561,184,349	100%	561,184,349
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	85,274,328	-	-	85,274,328	60%	51,164,597
Interest Receivable/claim on government securities	67,599,498	67,599,498	-	-	0%	-
Cash in transit and other cash items in the process of collection	97,569,234	-	-	97,569,234	20%	19,513,847
Other Assets (as per attachment)	2,342,288,166	1,030,654,479	-	1,311,633,687	100%	1,311,633,687
TOTAL	93,632,669,672	1,899,790,900	5,658,535,864	86,074,342,908		65,771,244,636

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	3,626,763,376	-	-	3,626,763,376	10%	362,676,338
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	3,403,416,986	-	234,419,356	3,168,997,629	20%	633,799,526
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)	4,102,674,289	-	98,122,083	4,004,552,205	50%	2,002,276,103
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)	17,635,207,429	-	875,096,852	16,760,110,577	50%	8,380,055,289
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	11,797,101,844	-	98,652,736	11,698,449,109	100%	11,698,449,109
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsement	307,361,855	-	-	307,361,855	100%	307,361,855
Unpaid portion of partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	3,236,841,974	-	-	3,236,841,974	20%	647,368,395
Irrevocable Credit commitments (Long term)	1,181,094,444	-	-	1,181,094,444	50%	590,547,222
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	100,914,000	-	-	100,914,000	200%	201,828,000
Total	45,391,376,197	-	1,306,291,027	44,085,085,170		24,824,361,836
Total RWE for credit risk Before Adjustment (A)+(B)	139,024,045,869	1,899,790,900	6,964,826,891	130,159,428,078		90,595,606,472
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)	139,024,045,869	1,899,790,900	6,964,826,891	130,159,428,078		90,595,606,472

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	158,126,102	1.60	253,001,764	253,001,764
USD	356,735	113.05	40,328,878	40,328,878
GBP	17,213	144.57	2,488,542	2,488,542
EUR	15,525	129.19	2,005,680	2,005,680
THB	53,832	3.53	190,027	190,027
CHF	603	114.46	69,018	69,018
AUD	7,769	80.67	626,710	626,710
CAD	7,950	84.81	674,200	674,200
SGD	3,515	83.20	292,411	292,411
JPY	3,136,746	1.04	3,266,294	3,266,294
HKD	19,283	14.41	277,874	277,874
DKK	31,956	17.31	553,161	553,161
SEK	452	12.60	5,695	5,695
SAR	74,019	29.90	2,213,163	2,213,163
QAR	18,993	30.80	584,971	584,971
AED	11,477	30.53	350,379	350,379
MYR	16,951	27.37	463,936	463,936
KRW	-	0.10	-	-
CNY	17,817	16.68	297,185	297,185
KWD	209	369.59	77,261	77,261
BHD	-	297.64	-	-
Total Open Position (a)			307,767,147	307,767,147
Fixed Percentage (b)			-	5%
Capital Charge for Market Risk [c=(a*b)]				15,388,357
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10
Equivalent Risk Weight Exposure [e=(c*d)]				153,883,574

10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	323,290,884	242,468,163
Doubtful Loan	367,224,990	183,612,495
Loss Loan	468,518,565	-

11. NPA ratios

Gross NPA to Gross Loan & Advance	1.58%
Net NPA to Net Loan & Advances	0.59%

12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	562,756,727	323,290,884	(239,465,843)
Doubtful Loan	151,444,430	367,224,990	215,780,560
Loss Loan	312,994,933	468,518,565	155,523,632

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	705,692,771	707,513,687	0.26%
Watch list	60,521,820	81,798,656	35.16%
Sub-standard Loan	140,689,182	80,822,721	-42.55%
Doubtful Loan	75,722,215	183,612,495	142.48%
Loss Loan	312,994,933	468,518,565	49.69%
Personal Guarantee	126,000	150,000	19.05%

ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	557,351,941	546,763,841	-1.90%

15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	705,692,771	707,513,687	1,820,916.6
Watch List	60,521,820	81,798,656	21,276,836.6
Sub-standard Loan	140,689,182	80,822,721	(59,866,460.8)
Doubtful Loan	75,722,215	183,612,495	107,890,280.0
Loss Loan	312,994,933	468,518,565	155,523,632.3
Personal Guarantee	126,000	150,000	24,000.0

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	10,153,726,121
Treasury Bills	793,933,800
Development Bond	6,394,240,000
Money at Call	48,224,484
Other Investments	2,917,327,837
Available for sale	583,284,349
BANKING FINANCE AND INSURANCE INSTITUTE OF NEPAL LTD	3,000,000
GLOBAL IME SAMUNNAT SCHEME-1	37,978,706
LAXMI EQUITY FUND	58,455,870
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 LTD.-PROMOTER	14,025,200
NIBL PRAGATI FUND	10,298,322
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