

PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL II as at 30.09.2070

Amount in NPR

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

Core Capital (Tier 1)	Amount (Rs.)
Paid up Equity Share Capital	2,574,445,804
Statutory General Reserves	320,571,948
Proposed Bonus Equity Shares	-
Retained Earnings	21,870,000
Un-audited current year cumulative profit	310,146,615
Deferred Tax Reserve	34,090,588
Less:Fictitious Assets	-
Total Core Capital (Tier I)	3,261,124,955

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

Supplementary Capital (Tier 2)	Amount
General loan loss provision	233,300,668
Exchange Equalization Reserve	75,734
Investment Adjustment Reserve	420,000
Total Core Capital (Tier II)	233,796,402

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:

Total Qualifying Capital	Amount
Core Capital (Tier 1)	3,261,124,955
Core Capital (Tier 2)	233,796,402
Total qualifying capital	3,494,921,357

6. Capital Adequacy Ratio:

Capital Adequacy Ratio	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	11.34%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	12.15%

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

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	25,323,240,714
Risk weighted Exposures for Operational Risk	1,629,451,155
Risk weighted exposures for Market Risk	297,976,043
Total Risk Weighted Exposures (Before adjustments of Pillar II)	27,250,667,912

<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.	695,800,000
Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	817,520,037
If desired level of disclosure requirement has not been achieved, Add% of RWE	
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	28,763,987,949

8. Risk weighted exposure under each of 11 categories

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	5,954,581,145	-
Claims on Other Financial Entities	-	-
Claims on Banks	1,867,210,557	572,562,014
Claims on Corporate and Securities Firm	11,730,075,488	11,569,381,192
Claims on Regulatory Retail Portfolio	2,882,138,189	1,309,909,548
Claims on Secured by Residential Properties	1,439,383,749	882,302,420
Claims on Secured by Commercial Real Estate	2,539,189,228	2,539,189,228
Past due Claims	896,805,179	911,978,152
High Risk Claims	3,647,029,893	3,028,524,934
Other Assets	1,344,622,633	723,145,948
Off Balance Sheet Items	8,777,007,498	3,786,247,278
Total	41,078,043,558	25,323,240,714

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	1,065,901,303	-	-	1,065,901,303	0%	-
Balance with Nepal Rastra Bank	2,231,327,223	-	-	2,231,327,223	0%	-
Gold	23,063,819	23,063,819	-	-	0%	-
Investment in Nepalese Government Securities	2,516,486,300	-	-	2,516,486,300	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	939,493,391	-	-	939,493,391	20%	187,898,678
Claims on Domestic banks that do not meet capital adequacy requirements	150,790,521	49,892,920	-	100,897,602	100%	100,897,602
Claims on Foreign Bank (ECA 0-1)	342,230,462	-	-	342,230,462	20%	68,446,092
Claims on Foreign Bank (ECA 2)	427,934,683	-	-	427,934,683	50%	213,967,341
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	6,761,500	-	-	6,761,500	20%	1,352,300
Claims on Domestic Corporate	11,730,075,488	-	160,694,296	11,569,381,192	100%	11,569,381,192
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)	2,882,138,189	-	1,135,592,125	1,746,546,064	75%	1,309,909,548
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	1,362,098,420	-	-	1,362,098,420	60%	817,259,052
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	77,285,328	12,241,961	-	65,043,368	100%	65,043,368
Claims secured by Commercial real estate	2,539,189,228	-	-	2,539,189,228	100%	2,539,189,228
Past due claims (except for claim secured by residential properties)	896,805,179	288,819,744	-	607,985,434	150%	911,978,152
High Risk claims	3,647,029,893	126,000	1,627,887,271	2,019,016,622	150%	3,028,524,934

Investments in equity & other capital instruments of institutions listed in the stock exchange	-	-	-	-	100%	-
Investments in equity & other capital instruments of institutions not listed in the stock exchange	23,500,000	-	-	23,500,000	150%	35,250,000
Staff loan secured by residential property	-	-	-	-	60%	-
Interest Receivable/claim on government securities	1,663,664	-	-	1,663,664	0%	-
Cash in transit and other cash items in the process of collection	194,238,948	-	-	194,238,948	20%	38,847,790
Other Assets (as per attachment)	1,125,220,021	476,171,862	-	649,048,159	100%	649,048,159
TOTAL	32,301,036,060	850,316,306	2,924,173,692	28,526,546,063		21,536,993,435

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	590,700,000	-	-	590,700,000	10%	59,070,000
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	1,040,735,582	-	56,795,992	983,939,590	20%	196,787,918
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)	525,198,649	-	8,538,771	516,659,878	50%	258,329,939
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)	2,366,293,311	-	223,026,624	2,143,266,687	50%	1,071,633,344
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	1,712,996,002	-	553,137,156	1,159,858,846	100%	1,159,858,846
Financial Guarantee	108,295,000	-	-	108,295,000	100%	108,295,000
Acceptances and Endorsement	-	-	-	-	100%	-
Unpaid portion of partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	1,238,023,503	-	-	1,238,023,503	20%	247,604,701
Irrevocable Credit commitments (Long term)	1,136,575,580	-	-	1,136,575,580	50%	568,287,790
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	58,189,870	-	-	58,189,870	200%	116,379,741
Total	8,777,007,498	-	841,498,543	7,935,508,955		3,786,247,278
Total RWE for credit risk Before Adjustment (A)+(B)	41,078,043,558	850,316,306	3,765,672,234	36,462,055,018		25,323,240,714
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)	41,078,043,558	850,316,306	3,765,672,234	36,462,055,018	-	25,323,240,714	

ii. Risk Weighted Exposure of Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income	696,629,518	716,430,032	1,041,947,200
Commission and Discount Income	46,341,237	54,490,267	80,114,640
Other Operating Income	105,374,760	121,275,446	140,434,030
Exchange Fluctuation Income	15,471,028	15,116,120	-5,784,150
Additional Interest Suspense during the period	11,829,373	84,266,658	134,966,149
Gross Income (a)	875,645,917	991,578,523	1,391,677,869
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a*b)]	131,346,888	148,736,778	208,751,680
Capital Requirement for operational risk (d) (average of c)			162,945,115
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure[f=(d*e)]			1,629,451,155
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			-
Equivalent Risk Weight Exposure[g]			-
Equivalent Risk Weight Exposure [h=f+g]			1,629,451,155

iii. Risk Weighted Exposure of Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NPR)	Relevant Open Position
INR	293,755,626	1.60	470,009,001	470,009,001
USD	192,953	98.15	18,938,360	18,938,360
GBP	544,563	160.31	87,297,958	87,297,958
EUR	47,004	133.56	6,277,957	6,277,957
THB	24,934	2.98	74,272	74,272
CHF	2,514	108.43	272,563	272,563
AUD	2,737	88.15	241,223	241,223
CAD	332	89.78	29,779	29,779
SGD	2,213	77.16	170,754	170,754
JPY	11,550,644	0.95	10,938,786	10,938,786
HKD	9,090	12.65	114,989	114,989
DKK	-	17.87	-	-
SEK	-	15.02	-	-
SAR	21,912	25.96	568,915	568,915
QAR	17,957	26.74	480,135	480,135
AED	10,484	26.51	277,895	277,895
MYR	5,880	29.83	175,403	175,403
KRW	653,472	0.09	60,320	60,320
CNY	1,467	16.21	23,778	23,778
Total Open Position (a)			595,952,087	595,952,087
Fixed Percentage (b)				5%
Capital Charge for Market Risk [c=(a*b)]				29,797,604
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10
Equivalent Risk Weight Exposure [e=(c*d)]				297,976,043

10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	176,835,334	132,626,501
Doubtful Loan	188,138,359	94,069,179
Loss Loan	162,783,692	0

11. NPA ratios

Gross NPA to Gross Advance	2.21%
Net NPA to Net Advances	0.97%

12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	164,068,326	176,835,334	12,767,008
Doubtful Loan	198,506,169	188,138,359	(10,367,810)
Loss Loan	145,348,774	162,783,692	17,434,918

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	218,756,571	233,300,668	6.65%
Sub-standard Loan	41,017,081	44,208,834	7.78%
Doubtful Loan	99,253,084	94,069,179	-5.22%
Loss Loan	145,348,774	162,783,692	12.00%
Personal Guarantee	126,000	126,000	0.00%

ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	296,504,444	273,039,828	-7.91%

15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	218,756,571	233,300,668	14,544,098
Sub-standard Loan	41,017,081	44,208,834	3,191,752
Doubtful Loan	99,253,084	94,069,179	(5,183,905)
Loss Loan	145,348,774	162,783,692	17,434,918
Personal Guarantee	126,000	126,000	-

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

Investment Portfolio	Amount
Held for Trading	-
Held to Maturity	3,244,445,072
Treasury Bills	2,246,486,300
Development Bond -3 years	270,000,000
Money at Call	349,892,920
Other Investments	378,065,852
Available for sale	23,500,000
Nepal Clearing House Ltd.	2,500,000
Mahila Sahayatri Microfinance Dev. Bank Ltd.	14,000,000
Mero Microfinance Bittiya Sanstha Ltd	7,000,000

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 and internal audit 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