

PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL II as at 30.12.2070

Amount in NPR

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

Core Capital (Tier 1)	Amount (Rs.)
Paid up Equity Share Capital	2,638,699,804
Statutory General Reserves	320,571,948
Proposed Bonus Equity Shares	-
Share Premium	74,154,989
Retained Earnings	21,874,585
Un-audited current year cumulative profit	423,707,576
Deferred Tax Reserve	34,090,588
Less: Fictitious Assets	-
Total Core Capital (Tier I)	3,513,099,489

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

Supplementary Capital (Tier 2)	Amount
General loan loss provision	254,800,455
Exchange Equalization Reserve	75,734
Investment Adjustment Reserve	420,000
Total Core Capital (Tier II)	255,296,189

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)	3,513,099,489
Core Capital (Tier 2)	255,296,189
Total qualifying capital	3,768,395,678

6. Capital Adequacy Ratio:

Capital Adequacy Ratio	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	11.44%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	12.27%

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

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	27,104,470,796
Risk weighted Exposures for Operational Risk	1,629,451,155
Risk weighted exposures for Market Risk	413,213,743
Total Risk Weighted Exposures (Before adjustments of Pillar II)	29,147,135,693
<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	874,414,071
If desired level of disclosure requirement has not been achieved, Add% of RWE	
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	30,717,349,764

8. Risk weighted exposure under each of 11 categories

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	6,063,008,175	-
Claims on Other Financial Entities	-	-
Claims on Banks	1,768,747,009	354,334,522
Claims on Corporate and Securities Firm	13,189,280,956	13,030,408,135
Claims on Regulatory Retail Portfolio	3,217,726,651	1,313,668,639
Claims on Secured by Residential Properties	1,510,061,916	918,085,267
Claims on Secured by Commercial Real Estate	2,452,210,579	2,447,467,978
Past due Claims	912,986,829	855,428,347
High Risk Claims	4,036,850,287	3,562,293,626
Other Assets	2,433,219,786	745,938,437
Off Balance Sheet Items	8,417,652,378	3,876,845,844
Total	44,001,744,565	27,104,470,796

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	984,239,632	-	-	984,239,632	0%	-
Balance with Nepal Rastra Bank	3,260,731,739	-	-	3,260,731,739	0%	-
Gold	10,059,064	-	-	10,059,064	0%	-
Investment in Nepalese Government Securities	2,684,473,936	-	-	2,684,473,936	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	915,692,762	-	57,281,731	858,411,031	20%	171,682,206
Claims on Domestic banks that do not meet capital adequacy requirements	75,332,438	48,224,484	-	27,107,954	100%	27,107,954
Claims on Foreign Bank (ECA 0-1)	564,627,565	-	-	564,627,565	20%	112,925,513
Claims on Foreign Bank (ECA 2)	-	-	-	-	50%	-
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	213,094,245	-	-	213,094,245	20%	42,618,849
Claims on Domestic Corporate	13,189,280,956	-	158,872,821	13,030,408,135	100%	13,030,408,135
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)	3,217,726,651	-	1,466,168,465	1,751,558,185	75%	1,313,668,639
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	1,414,060,082	-	14,385,222	1,399,674,861	60%	839,804,916
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	96,001,834	17,678,083	43,400	78,280,351	100%	78,280,351
Claims secured by Commercial real estate	2,452,210,579	-	4,742,602	2,447,467,978	100%	2,447,467,978
Past due claims (except for claim secured by residential properties)	912,986,829	342,246,005	455,259	570,285,565	150%	855,428,347
High Risk claims	4,036,850,287	126,000	1,661,861,869	2,374,862,417	150%	3,562,293,626
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	4,702,549	-	-	4,702,549	0%	-
Cash in transit and other cash items in the process of collection	242,761,210	-	-	242,761,210	20%	48,552,242
Other Assets (as per attachment)	1,167,957,331	505,821,136	-	662,136,195	100%	662,136,195
TOTAL	35,584,092,188	914,095,708	3,363,811,368	31,306,185,111		23,227,624,952

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	625,950,000	-	-	625,950,000	10%	62,595,000
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	1,122,644,171	-	55,966,030	1,066,678,141	20%	213,335,628
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)	164,769,750	-	3,317,975	161,451,775	50%	80,725,888
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)	2,827,781,456	-	227,850,000	2,599,931,456	50%	1,299,965,728
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	1,497,700,000	-	57,390,000	1,440,310,000	100%	1,440,310,000
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsement	-	-	-	-	100%	-
Unpaid portion of partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	1,327,133,000	-	-	1,327,133,000	20%	265,426,600
Irrevocable Credit commitments (Long term)	792,574,000	-	-	792,574,000	50%	396,287,000
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	59,100,000	-	-	59,100,000	200%	118,200,000
Total	8,417,652,378	-	344,524,005	8,073,128,372		3,876,845,844
Total RWE for credit risk Before Adjustment (A)+(B)	44,001,744,565	914,095,708	3,708,335,374	39,379,313,484		27,104,470,796
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)	44,001,744,565	914,095,708	3,708,335,374	39,379,313,484		27,104,470,796

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	469,092,157	1.60	750,547,450	750,547,450
USD	(363,757)	96.3	(35,029,812)	35,029,812
GBP	116,853	160.905	18,802,160	18,802,160
EUR	94,232	133.475	12,577,607	12,577,607
THB	41,190	2.975	122,540	122,540
CHF	680	109.625	74,545	74,545
AUD	2,605	90.25	235,101	235,101
CAD	200	87.49	17,498	17,498
SGD	1,359	77.01	104,657	104,657
JPY	6,374,145	0.94675	6,034,722	6,034,722
HKD	8,630	12.37	106,753	106,753
DKK	-	17.76	-	-
SEK	-	14.63	-	-
SAR	39,941	25.58	1,021,691	1,021,691
QAR	17,485	26.34	460,555	460,555
AED	23,505	26.115	613,833	613,833
MYR	12,755	29.615	377,739	377,739
KRW	1,605,000	0.0928	148,944	148,944
CNY	9,312	16.31	151,879	151,879
Total Open Position (a)			756,367,863	826,427,486
Fixed Percentage (b)				5%
Capital Charge for Market Risk [c=(a*b)]				41,321,374
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10
Equivalent Risk Weight Exposure [e=(c*d)]				413,213,743

10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	156,525,833	117,394,375
Doubtful Loan	89,911,474	44,955,737
Loss Loan	275,836,892	-

11. NPA ratios

Gross NPA to Gross Advance	2.01%
Net NPA to Net Advances	0.64%

12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	176,835,334	156,525,833	(20,309,501)
Doubtful Loan	188,138,359	89,911,474	(98,226,884)
Loss Loan	162,783,692	275,836,892	113,053,201

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	233,300,668	254,800,455	9.22%
Sub-standard Loan	44,208,834	39,131,458	-11.48%
Doubtful Loan	94,069,179	44,955,737	-52.21%
Loss Loan	162,783,692	275,836,892	69.45%
Personal Guarantee	126,000	126,000	0.00%

ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	273,039,828	287,016,722	5.12%

15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	-	-	-
Sub-standard Loan	-	-	-
Doubtful Loan	-	-	-
Loss Loan	-	-	-
Personal Guarantee	-	-	-

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	3,388,621,446
Treasury Bills	2,414,473,936
Development Bond -3 years	270,000,000
Money at Call	348,262,294
Other Investments	355,885,216
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