

# PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL II as at 31.06.2071

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	575,316,639
Un-audited current year cumulative profit	161,637,031
Deferred Tax Reserve	34,090,588
Less:Fictitious Assets	-
<b>Total Core Capital (Tier I)</b>	<b>3,804,470,999</b>

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

Supplementary Capital (Tier 2)	Amount
General loan loss provision	283,084,309
Exchange Equalization Reserve	75,734
Investment Adjustment Reserve	420,000
<b>Total Core Capital (Tier II)</b>	<b>283,580,043</b>

**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)	3,804,470,999
Core Capital (Tier 2)	283,580,043
<b>Total qualifying capital</b>	<b>4,088,051,042</b>

**6. Capital Adequacy Ratio:**

Capital Adequacy Ratio	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	11.39%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	12.24%

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

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	29,379,351,365
Risk weighted Exposures for Operational Risk	1,920,431,166
Risk weighted exposures for Market Risk	425,707,975

<b>Total Risk Weighted Exposures (Before adjustments of Pillar II)</b>	<b>31,725,490,506</b>
<b><u>Adjustment under Pillar II</u></b>	
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.	728,800,000
Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	951,764,715
If desired level of disclosure requirement has not been achieved, Add.....% of RWE	
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)</b>	<b>33,406,055,221</b>

**8. Risk weighted exposure under each of 11 categories**

<b>Credit Risk</b>	<b>Claim</b>	<b>RWE</b>
<b>Claims on Govt. and Central Bank</b>	8,123,735,755	-
<b>Claims on Other Financial Entities</b>	-	-
<b>Claims on Banks</b>	2,263,320,410	637,482,563
<b>Claims on Corporate and Securities Firm</b>	14,552,385,747	14,280,784,073
<b>Claims on Regulatory Retail Portfolio</b>	3,211,351,120	1,440,012,905
<b>Claims on Secured by Residential Properties</b>	1,932,124,464	1,191,473,051
<b>Claims on Secured by Commercial Real Estate</b>	2,250,079,669	2,250,079,669
<b>Past due Claims</b>	910,857,992	680,932,656
<b>High Risk Claims</b>	5,185,688,688	4,422,214,213
<b>Other Assets</b>	1,482,357,471	662,587,943
<b>Off Balance Sheet Items</b>	8,907,079,608	3,813,784,291
<b>Total</b>	<b>48,818,980,924</b>	<b>29,379,351,365</b>

## 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	1,342,811,837			1,342,811,837	0%	-
Balance with Nepal Rastra Bank	3,677,310,013			3,677,310,013	0%	-
Gold	180,924,905	180,924,905		-	0%	-
Investment in Nepalese Government Securities	2,804,886,500			2,804,886,500	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	1,510,840,112			1,510,840,112	20%	302,168,022
Claims on Domestic banks that do not meet capital adequacy requirements	126,799,517	48,224,484		78,575,033	100%	78,575,033
Claims on Foreign Bank (ECA 0-1)	181,454,894			181,454,894	20%	36,290,979
Claims on Foreign Bank (ECA 2)	438,677,838			438,677,838	50%	219,338,919
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	5,548,049			5,548,049	20%	1,109,610
Claims on Domestic Corporate	14,552,385,747		271,601,674	14,280,784,073	100%	14,280,784,073
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)	3,211,351,120		1,291,333,913	1,920,017,207	75%	1,440,012,905
Claims fulfilling all criterion of regulatory retail except granularity				-	100%	-
Claims secured by residential properties	1,820,727,826			1,820,727,826	60%	1,092,436,695
Claims not fully secured by residential properties				-	150%	-
Claims secured by residential properties (Overdue)	111,396,638	12,360,282		99,036,356	100%	99,036,356
Claims secured by Commercial real estate	2,250,079,669			2,250,079,669	100%	2,250,079,669
Past due claims (except for claim secured by residential properties)	910,857,992	456,902,887		453,955,104	150%	680,932,656
High Risk claims	5,185,688,688	126,000	2,237,419,880	2,948,142,809	150%	4,422,214,213

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	4,023,109			4,023,109	0%	-
Cash in transit and other cash items in the process of collection	316,500,941	-		316,500,941	20%	63,300,188
Other Assets (as per attachment)	1,138,333,422	574,295,667		564,037,755	100%	564,037,755
<b>TOTAL</b>	<b>39,911,901,316</b>	<b>1,272,834,226</b>	<b>3,800,355,466</b>	<b>34,838,711,624</b>		<b>25,565,567,074</b>

<b>B. Off-Balance Sheet Exposures</b>	<b>Book Value (a)</b>	<b>Specific provisions (b)</b>	<b>Eligible CRM (c)</b>	<b>Net Value (d=a-b-c)</b>	<b>Risk weight (e)</b>	<b>Risk Weighted Exposures (f=d*e)</b>
Revocable Commitments					0%	-
Bills under Collection					0%	-
Forward exchange contract liabilities	740,250,000		-	740,250,000	10%	74,025,000
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	1,083,771,112		48,280,794	1,035,490,318	20%	207,098,064
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)	164,009,271		3,044,000	160,965,271	50%	80,482,635
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)	2,993,077,269		248,526,092	2,744,551,177	50%	1,372,275,588
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	2,054,484,912		539,691,746	1,514,793,166	100%	1,514,793,166
Financial Guarantee					100%	-
Acceptances and Endorsement					100%	-
Unpaid portion of partly paid shares and securities					100%	-
Irrevocable Credit commitments (Short term)	1,656,068,341		-	1,656,068,341	20%	331,213,668
Irrevocable Credit commitments (Long term)	131,294,159		-	131,294,159	50%	65,647,079
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	84,124,545		-	84,124,545	200%	168,249,090
<b>Total</b>	<b>8,907,079,608</b>	<b>-</b>	<b>839,542,632</b>	<b>8,067,536,976</b>		<b>3,813,784,291</b>
<b>Total RWE for credit risk Before Adjustment (A)+(B)</b>	<b>48,818,980,924</b>	<b>1,272,834,226</b>	<b>4,639,898,098</b>	<b>42,906,248,600</b>		<b>29,379,351,365</b>

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)	48,818,980,924	1,272,834,226	4,639,898,098	42,906,248,600	29,379,351,365

ii. Risk Weighted Exposure of Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income	716,430,032	1,041,947,200	1,059,880,940
Commission and Discount Income	54,490,267	80,114,640	71,656,470
Other Operating Income	121,275,446	140,434,030	244,673,990
Exchange Fluctuation Income	15,116,120	(5,784,150)	36,164,540
Additional Interest Suspense during the period	84,266,658	134,966,149	45,230,000
Gross Income (a)	991,578,523	1,391,677,869	1,457,605,940
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a*b)]	148,736,778	208,751,680	218,640,891
Capital Requirement for operational risk (d) (average of c)			192,043,117
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure[f=(d*e)]			1,920,431,166
<b>PILLAR II ADJUSTMENT</b>			-
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]			-
<b>Equivalent Risk Weight Exposure [h=f+g]</b>			<b>1,920,431,166</b>

iii. Risk Weighted Exposure of Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NPR)	Relevant Open Position
INR	489,640,472	1.60	783,424,755	783,424,755
USD	182,223	98.40	17,930,775	17,930,775
GBP	97,636	157.68	15,394,889	15,394,889
EUR	179,044	125.43	22,457,582	22,457,582
THB	(0)	3.02	(0)	0
CHF	251	103.76	26,085	26,085
AUD	1,142	85.67	97,843	97,843
CAD	4,784	87.05	416,452	416,452
SGD	253	77.00	19,495	19,495
JPY	11,395,097	0.92	10,534,362	10,534,362
HKD	3,541	12.68	44,887	44,887
DKK	-	16.83	-	-
SEK	-	13.70	-	-
SAR	13,196	26.02	343,417	343,417
QAR	13,185	26.80	353,392	353,392
AED	6,139	26.57	163,129	163,129
MYR	4,936	29.70	146,584	146,584
KRW	0	0.09	0	0
CNY	3,887	16.03	62,304	62,304
<b>Total Open Position (a)</b>			<b>851,415,950</b>	<b>851,415,950</b>
<b>Fixed Percentage (b)</b>				<b>5%</b>
<b>Capital Charge for Market Risk [c=(a*b)]</b>				<b>42,570,798</b>
<b>Risk Weight (reciprocal of capital requirement of 10%) in times (d)</b>				<b>10</b>
<b>Equivalent Risk Weight Exposure [e=(c*d)]</b>				<b>425,707,975</b>

## 10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	172,886,066	129,664,549
Doubtful Loan	324,663,084	162,331,542
Loss Loan	263,710,111	0

## 11. NPA ratios

Gross NPA to Gross Advance	2.62%
Net NPA to Net Advances	1.03%

## 12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	156,525,833	172,886,066	16,360,233
Doubtful Loan	89,911,474	324,663,084	234,751,610
Loss Loan	275,836,892	263,710,111	(12,126,781)

## 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	274,213,406	283,084,309	3.24%
Sub-standard Loan	19,126,988	43,221,516	125.97%
Doubtful Loan	26,874,948	162,331,542	504.03%
Loss Loan	286,815,609	263,710,111	-8.06%
Personal Guarantee	126,000	126,000	0.00%

### ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	285,312,878	298,549,137	4.64%

## 15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	274,213,406	283,084,309	8,870,903
Sub-standard Loan	19,126,988	43,221,516	24,094,528
Doubtful Loan	26,874,948	162,331,542	135,456,594
Loss Loan	286,815,609	263,710,111	(23,105,498)
Personal Guarantee	126,000	126,000	-

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

<b>Investment Portfolio</b>	<b>Amount</b>
Held for Trading	-
<b>Held to Maturity</b>	<b>3,829,988,484</b>
Treasury Bills	2,534,886,500
Development Bond -3 years	270,000,000
Money at Call	598,224,484
Other Investments	426,877,500
<b>Available for sale</b>	<b>23,500,000</b>
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**