

PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL II as at 30.09.2071

Amount in NPR

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

Core Capital (Tier 1)	Amount (Rs.)
Paid up Equity Share Capital	3,140,052,767
Statutory General Reserves	431,261,370
Proposed Bonus Equity Shares	-
Share Premium	-
Retained Earnings	12,180,235
Un-audited current year cumulative profit	348,383,119
Deferred Tax Reserve	32,952,599
Less:Fictitious Assets	-
Total Core Capital (Tier I)	3,964,830,090

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

Supplementary Capital (Tier 2)	Amount
General loan loss provision	302,232,897
Exchange Equalization Reserve	75,734
Investment Adjustment Reserve	14,140,000
Total Core Capital (Tier II)	316,448,631

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)	3,964,830,090
Supplementary Capital (Tier 2)	316,448,631
Total qualifying capital	4,281,278,720

6. Capital Adequacy Ratio:

Capital Adequacy Ratio	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	11.21%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	12.11%

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

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	31,260,238,182
Risk weighted Exposures for Operational Risk	1,918,598,117
Risk weighted exposures for Market Risk	444,887,623

Total Risk Weighted Exposures (Before adjustments of Pillar II)	33,623,723,922
<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 5 % of gross income.	727,000,000
Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	1,008,711,718
If desired level of disclosure requirement has not been achieved, Add.....% of RWE	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	35,359,435,640

8. Risk weighted exposure under each of 11 categories

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	9,358,115,330	-
Claims on Other Financial Entities	-	-
Claims on Banks	2,181,869,775	636,795,815
Claims on Corporate and Securities Firm	15,511,787,045	15,133,809,782
Claims on Regulatory Retail Portfolio	3,556,605,375	1,596,454,627
Claims on Secured by Residential Properties	2,095,220,573	1,273,985,903
Claims on Secured by Commercial Real Estate	2,225,872,671	2,222,140,583
Past due Claims	930,572,386	684,322,378
High Risk Claims	5,574,346,012	4,834,112,884
Other Assets	1,381,031,201	721,181,978
Off Balance Sheet Items	9,657,191,937	4,157,434,232
Total	52,472,612,306	31,260,238,182

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	1,013,952,825			1,013,952,825	0%	
Balance with Nepal Rastra Bank	2,422,110,608			2,422,110,608	0%	
Gold	145,868,891	145,868,891			0%	
Investment in Nepalese Government Securities	5,658,380,505			5,658,380,505	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	1,070,173,975		52,661,384	1,017,512,591	20%	203,502,518
Claims on Domestic banks that do not meet capital adequacy requirements	124,598,526	48,224,484		76,374,042	100%	76,374,042
Claims on Foreign Bank (ECA 0-1)	454,831,939			454,831,939	20%	90,966,388
Claims on Foreign Bank (ECA 2)	531,666,000			531,666,000	50%	265,833,000
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	599,335			599,335	20%	119,867
Claims on Domestic Corporate	15,511,787,045		377,977,264	15,133,809,782	100%	15,133,809,782
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)	3,556,605,375		1,427,999,205	2,128,606,170	75%	1,596,454,627
Claims fulfilling all criterion of regulatory retail except granularity			-	-	100%	
Claims secured by residential properties	1,993,216,874		25,987,511	1,967,229,363	60%	1,180,337,618
Claims not fully secured by residential properties				-	150%	
Claims secured by residential properties (Overdue)	102,003,699	8,351,863	3,551	93,648,285	100%	93,648,285
Claims secured by Commercial real estate	2,225,872,671		3,732,088	2,222,140,583	100%	2,222,140,583
Past due claims (except for claim secured by residential properties)	930,572,386	474,298,911	58,557	456,214,919	150%	684,322,378
High Risk claims	5,574,346,012	126,000	2,351,478,090	3,222,741,923	150%	4,834,112,884

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	66,982,530			66,982,530	150%	100,473,795
Staff loan secured by residential property					60%	
Interest Receivable/claim on government securities	3,009,554			3,009,554	0%	
Cash in transit and other cash items in the process of collection	154,665,573			154,665,573	20%	30,933,115
Other Assets (as per attachment)	1,156,373,543	566,598,475		589,775,069	100%	589,775,069
TOTAL	42,815,420,368	1,243,468,624	4,239,897,648	37,332,054,096		27,102,803,951

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	1,142,525,000			1,142,525,000	10%	114,252,500
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	1,102,203,675		45,958,586	1,056,245,089	20%	211,249,018
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)	146,403,275		1,361,025	145,042,250	50%	72,521,125
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)	3,240,163,372		262,810,462	2,977,352,910	50%	1,488,676,455
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	1,718,167,830		204,331,836	1,513,835,993	100%	1,513,835,993
Financial Guarantee					100%	
Acceptances and Endorsement					100%	
Unpaid portion of partly paid shares and securities					100%	
Irrevocable Credit commitments (Short term)	1,740,217,506			1,740,217,506	20%	348,043,501
Irrevocable Credit commitments (Long term)	484,111,279			484,111,279	50%	242,055,639
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	83,400,000			83,400,000	200%	166,800,000
Total	9,657,191,937		514,461,909	9,142,730,028		4,157,434,232
Total RWE for credit risk Before Adjustment (A)+(B)	52,472,612,306	1,243,468,624	4,754,359,557	46,474,784,124		31,260,238,182
Adjustment under Pillar II						
Add: 10% of the Loan and facilities in excess of Single Obligor Limits (6.4 a 3)						-

ii. Risk Weighted Exposure of Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income	716,430,032	1,041,947,200	1,059,965,806
Commission and Discount Income	54,490,267	80,114,640	71,049,554
Other Operating Income	121,275,446	140,434,030	241,470,396
Exchange Fluctuation Income	15,116,120	(5,784,150)	36,164,535
Additional Interest Suspense during the period	84,266,658	134,966,149	45,289,550
Gross Income (a)	991,578,523	1,391,677,869	1,453,939,841
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a*b)]	148,736,778	208,751,680	218,090,976
Capital Requirement for operational risk (d) (average of c)			191,859,812
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure[f=(d*e)]			1,918,598,117
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]			1,918,598,117

iii. Risk Weighted Exposure of Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NPR)	Relevant Open Position
INR	534,779,700	1.60	855,647,519	855,647,519
USD	(40,709)	99.05	(4,032,185)	4,032,185
GBP	50,477	149.62	7,552,077	7,552,077
EUR	67,167	116.19	7,803,821	7,803,821
THB	40,186	3.01	121,061	121,061
CHF	462	96.71	44,721	44,721
AUD	1,434	79.71	114,299	114,299
CAD	4,899	82.29	403,138	403,138
SGD	2,892	73.91	213,766	213,766
JPY	10,167,731	0.84	8,564,621	8,564,621
HKD	6,802	12.77	86,836	86,836
DKK	2,001	15.62	31,240	31,240
SEK	-	12.24	-	-
SAR	104,163	26.18	2,727,285	2,727,285
QAR	23,183	26.99	625,656	625,656
AED	43,378	26.75	1,160,306	1,160,306
MYR	17,475	27.34	477,756	477,756
KRW	1,444,798	0.09	131,629	131,629
CNY	2,340	15.95	37,331	37,331
Total Open Position (a)			881,710,877	889,775,246
Fixed Percentage (b)				5%
Capital Charge for Market Risk [c=(a*b)]				44,488,762
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10
Equivalent Risk Weight Exposure [e=(c*d)]				444,887,623

10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	106,108,094	79,581,071
Doubtful Loan	402,170,097	201,085,049
Loss Loan	255,038,702	0

11. NPA ratios

Gross NPA to Gross Advance	2.46%
Net NPA to Net Advances	0.93%

12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	172,886,066	106,108,094	(66,777,972)
Doubtful Loan	324,663,084	402,170,097	77,507,014
Loss Loan	263,710,111	255,038,702	(8,671,409)

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	283,084,309	302,232,897	6.76%
Sub-standard Loan	43,221,516	26,527,024	-38.63%
Doubtful Loan	162,331,542	201,085,049	23.87%
Loss Loan	263,710,111	255,038,702	-3.29%
Personal Guarantee	126,000	126,000	0.00%

ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	298,549,137	305,989,788	2.49%

15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	283,084,309	302,232,897	19,148,588
Sub-standard Loan	43,221,516	26,527,024	(16,694,493)
Doubtful Loan	162,331,542	201,085,049	38,753,507
Loss Loan	263,710,111	255,038,702	(8,671,409)
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	6,433,449,589
Treasury Bills	5,388,380,505
Development Bond -3 years	270,000,000
Money at Call	48,224,484
Other Investments	726,844,600
Available for sale	66,982,530
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