

# PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL II as at 30.12.2072

Amount in NPR

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

<b>Core Capital (Tier 1)</b>	<b>Amount (Rs.)</b>
Paid up Equity Share Capital	3,705,262,265
Statutory General Reserves	580,379,194
Proposed Bonus Equity Shares	-
Share Premium	-
Retained Earnings	12,432,285
Un-audited current year cumulative profit	709,513,857
Other Free Reserve	32,950,000
Less: Fictitious Assets	-
Less: Deferred Tax Assets	37,896,000
<b>Total Core Capital (Tier I)</b>	<b>5,002,641,601</b>

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

<b>Supplementary Capital (Tier 2)</b>	<b>Amount</b>
General loan loss provision	381,282,866
Exchange Equalisation Reserve	75,734
Investment Adjustment Reserve	2,446,393
<b>Total Core Capital (Tier II)</b>	<b>383,804,993</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:

<b>Total Qualifying Capital</b>	<b>Amount</b>
Core Capital (Tier 1)	5,002,641,601
Supplementary Capital (Tier 2)	383,804,993
<b>Total qualifying capital</b>	<b>5,386,446,595</b>

## 6. Capital Adequacy Ratio:

<b>Capital Adequacy Ratio</b>	<b>Percentage</b>
Tier 1 Capital to Total Risk Weighted Exposures	11.33%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	12.19%

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

<b>Risk Weighted Exposures</b>	<b>Amount</b>
Risk weighted Exposures for Credit Risk	39,698,214,007
Risk weighted Exposures for Operational Risk	2,316,917,168

Risk weighted exposures for Market Risk	175,232,784
<b>Total Risk Weighted Exposures (Before adjustments of Pillar II)</b>	<b>42,190,363,960</b>
<b><i>Adjustment under Pillar II</i></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.	714,900,000
Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	1,265,710,919
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>44,170,974,878</b>

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

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	12,124,802,042	-
Claims on Other Financial Entities	-	-
Claims on Banks	3,729,237,539	898,727,592
Claims on Corporate and Securities Firm	19,409,944,066	19,045,331,975
Claims on Regulatory Retail Portfolio	4,551,658,896	2,233,882,510
Claims on Secured by Residential Properties	2,588,568,244	1,578,106,828
Claims on Secured by Commercial Real Estate	2,666,114,269	2,666,114,269
Past due Claims	845,856,177	615,168,469
High Risk Claims	6,258,082,017	6,351,790,496
Other Assets	1,387,613,989	725,977,350
Off Balance Sheet Items	12,764,231,640	5,583,114,520
<b>Total</b>	<b>66,326,108,878</b>	<b>39,698,214,007</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	1,256,189,699	-	-	1,256,189,699	0%	-
Balance with Nepal Rastra Bank	5,677,239,023	-	-	5,677,239,023	0%	-
Gold	452,822,342	452,822,342	-	-	0%	-
Investment in Nepalese Government Securities	4,620,748,478	-	-	4,620,748,478	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	2,510,537,155	-	-	2,510,537,155	20%	502,107,431
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)	601,169,818	-	-	601,169,818	20%	120,233,964
Claims on Foreign Bank (ECA 2)	541,749,937	-	-	541,749,937	50%	270,874,969
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	27,556,144	-	-	27,556,144	20%	5,511,229
Claims on Domestic Corporate	19,409,944,066	-	364,612,091	19,045,331,975	100%	19,045,331,975
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)	4,551,658,896	-	1,573,148,883	2,978,510,013	75%	2,233,882,510
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	2,489,658,899	-	-	2,489,658,899	60%	1,493,795,339
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	98,909,345	14,597,856	-	84,311,488	100%	84,311,488
Claims secured by Commercial real estate	2,666,114,269	-	-	2,666,114,269	100%	2,666,114,269
Past due claims (except for claim secured by residential properties)	845,856,177	435,743,864	-	410,112,312	150%	615,168,469
High Risk claims	6,258,082,017	331,800	2,023,223,220	4,234,526,997	150%	6,351,790,496

Investments in equity & other capital instruments of institutions listed in the stock exchange	101,846,960	-	-	101,846,960	100%	101,846,960
Investments in equity & other capital instruments of institutions not listed in the stock exchange	37,972,680	-	-	37,972,680	150%	56,959,020
Staff loan secured by residential property	23,011,037	-	-	23,011,037	60%	13,806,622
Interest Receivable/claim on government securities	10,495,287	10,495,287	-	-	0%	-
Cash in transit and other cash items in the process of collection	(1)	-	-	-	20%	-
Other Assets (as per attachment)	1,214,288,025	660,923,278	-	553,364,747	100%	553,364,747
<b>TOTAL</b>	<b>53,561,877,238</b>	<b>1,623,138,912</b>	<b>3,960,984,194</b>	<b>47,977,754,132</b>		<b>34,115,099,487</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	1,382,550,000	-	-	1,382,550,000	10%	138,255,000
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	1,483,458,669	-	81,970,717	1,401,487,952	20%	280,297,590
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)	226,378,805	-	33,267,860	193,110,944	50%	96,555,472
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)	4,392,218,679	-	289,378,497	4,102,840,181	50%	2,051,420,091
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	2,188,161,364	-	67,555,863	2,120,605,501	100%	2,120,605,501
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsement	-	-	-	-	100%	-
Unpaid portion of partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	2,287,687,322	-	-	2,287,687,322	20%	457,537,464
Irrevocable Credit commitments (Long term)	779,406,802	-	-	779,406,802	50%	389,703,401
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	24,370,000	-	-	24,370,000	200%	48,740,000
<b>Total</b>	<b>12,764,231,640</b>	<b>-</b>	<b>472,172,937</b>	<b>12,292,058,703</b>		<b>5,583,114,520</b>
<b>Total RWE for credit risk Before Adjustment (A)+(B)</b>	<b>66,326,108,878</b>	<b>1,623,138,912</b>	<b>4,433,157,131</b>	<b>60,269,812,836</b>		<b>39,698,214,007</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)						-
<b>Total RWE for credit risk ( After Bank's Adjustment of Pillar II)</b>	<b>66,326,108,878</b>	<b>1,623,138,912</b>	<b>4,433,157,131</b>	<b>60,269,812,836</b>		<b>39,698,214,007</b>

ii. Risk Weighted Exposure of Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income	1,041,947,200	1,059,965,806	1,387,782,918
Commission and Discount Income	80,114,640	71,049,554	103,923,820
Other Operating Income	140,434,030	241,470,396	256,920,387
Exchange Fluctuation Income	(5,784,150)	36,164,535	74,147,855
Additional Interest Suspense during the period	135,821,772	45,289,550	(35,413,977)
Gross Income (a)	1,392,533,492	1,453,939,841	1,787,361,003
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a*b)]	208,880,024	218,090,976	268,104,150
Capital Requirement for operational risk (d) (average of c)			231,691,717
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure[f=(d*e)]			2,316,917,168
<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>2,316,917,168</b>

iii. Risk Weighted Exposure of Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NPR)	Relevant Open Position
INR	160,599,383	1.60	256,959,012	256,959,012
USD	382,833	106.05	40,599,419	40,599,419
GBP	28,440	151.00	4,294,587	4,294,587
EUR	44,964	120.94	5,437,949	5,437,949
THB	38,988	3.03	118,031	118,031
CHF	12,420	111.19	1,380,927	1,380,927
AUD	3,867	80.98	313,142	313,142
CAD	8,207	82.25	675,017	675,017
SGD	16,242	78.83	1,280,365	1,280,365
JPY	11,866,224	0.98	11,635,812	11,635,812
HKD	16,565	13.67	226,512	226,512
DKK	600	16.25	9,750	9,750
SEK	6,401	13.07	83,648	83,648
SAR	417,381	28.29	11,807,005	11,807,005
QAR	135,096	29.12	3,934,556	3,934,556
AED	60,366	28.87	1,742,946	1,742,946
MYR	345,212	27.29	9,420,927	9,420,927
KRW	1,438,140	0.09	133,434	133,434
CNY	11,582	16.40	189,923	189,923
KWD	475	351.97	167,186	167,186
BHD	197	281.32	55,420	55,420
<b>Total Open Position (a)</b>			<b>350,465,569</b>	<b>350,465,569</b>
<b>Fixed Percentage (b)</b>			-	<b>5%</b>
<b>Capital Charge for Market Risk [c=(a*b)]</b>				<b>17,523,278</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>175,232,784</b>

## 10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	110,406,182	82,804,637
Doubtful Loan	138,720,260	69,240,130
Loss Loan	353,260,045	0

## 11. NPA ratios

Gross NPA to Gross Advance	1.59%
Net NPA to Net Advances	0.41%

## 12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	0	110,406,182	110,406,182
Doubtful Loan	57,488,215	138,720,260	81,232,045
Loss Loan	453,304,546	353,260,045	(100,044,501)

## 13. Write off of loans and interest suspense

Particulars	Opening Balance	Closing Balance	Difference
Loan and Interest Suspense write-off	0	56,876,465.56	56,876,465.56

## 14. Movements in loan loss provisions and Interest suspense

### i. Movement of Loan Loss Provision

Particulars	Opening Balance	Closing Balance	% Change
Pass Loan	344,372,106	381,282,866	10.72%
Sub-standard Loan	0	27,601,546	
Doubtful Loan	28,744,108	69,480,130	141.72%
Loss Loan	453,304,546	353,260,045	-22.07%
Personal Guarantee	457,800	331,800	-27.52%

### ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	264,656,945	270,970,919	2.39%

## 15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	344,372,106	381,282,866	36,910,760
Sub-standard Loan	0	27,601,546	27,601,546

Doubtful Loan	28,744,108	69,480,130	40,736,022
Loss Loan	453,304,546	353,260,045	(100,044,501)
Personal Guarantee	457,800	331,800	(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 (Rs.)</b>
Held for Trading	-
<b>Held to Maturity</b>	<b>6,194,022,514</b>
Treasury Bills	4,036,598,478
Development Bond	584,150,000
Money at Call	598,224,484
Other Investments	975,049,553
<b>Available for sale</b>	<b>139,819,640</b>
Nepal Clearing House Ltd.	2,500,000
Mahila Sahayatri Microfinance Dev. Bank Ltd.	14,000,000
Mero Microfinance Bittiya Sanstha Ltd	14,000,000
NMB Sulav Fund -1	15,659,980
NIBL Samriddhi Fund - 1	27,822,550
Laxmi Mutual Fund -1	12,864,430
Nepal Electronic Payment System Ltd	15,000,000
Global IME Samunnat Scheme	37,972,680

**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, 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 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