

# PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL II as at 31.03.2072

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	3,140,052,767
Statutory General Reserves	431,261,370
Proposed Bonus Equity Shares	-
Share Premium	-
Retained Earnings	12,180,235
Un-audited current year cumulative profit	773,677,993
Deferred Tax Reserve	32,952,599
Less:Fictitious Assets	-
<b>Total Core Capital (Tier I)</b>	<b>4,390,124,964</b>

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

<b>Supplementary Capital (Tier 2)</b>	<b>Amount</b>
General loan loss provision	329,075,029
Exchange Equalization Reserve	75,734
Investment Adjustment Reserve	28,000,000
<b>Total Core Capital (Tier II)</b>	<b>357,150,763</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)	4,390,124,964
Supplementary Capital (Tier 2)	357,150,763
<b>Total qualifying capital</b>	<b>4,747,275,727</b>

## 6. Capital Adequacy Ratio:

<b>Capital Adequacy Ratio</b>	<b>Percentage</b>
Tier 1 Capital to Total Risk Weighted Exposures	11.42%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	12.35%

## 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	34,449,318,065
Risk weighted Exposures for Operational Risk	1,919,025,928
Risk weighted exposures for Market Risk	260,480,772

<b>Total Risk Weighted Exposures (Before adjustments of Pillar II)</b>	<b>36,628,824,765</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.	727,000,000
Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	1,098,864,743
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>38,454,689,508</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>	10,943,183,708	-
<b>Claims on Other Financial Entities</b>	-	-
<b>Claims on Banks</b>	2,853,648,236	715,274,899
<b>Claims on Corporate and Securities Firm</b>	16,431,303,340	16,137,270,661
<b>Claims on Regulatory Retail Portfolio</b>	4,010,848,031	1,870,385,446
<b>Claims on Secured by Residential Properties</b>	2,267,573,108	1,398,731,915
<b>Claims on Secured by Commercial Real Estate</b>	2,456,711,585	2,456,711,585
<b>Past due Claims</b>	959,075,490	779,034,147
<b>High Risk Claims</b>	5,923,350,289	5,466,536,900
<b>Other Assets</b>	1,262,698,246	724,740,003
<b>Off Balance Sheet Items</b>	11,052,868,944	4,900,632,508
<b>Total</b>	<b>58,161,260,978</b>	<b>34,449,318,065</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	1,587,847,958	-	-	1,587,847,958	0%	-
Balance with Nepal Rastra Bank	4,276,554,804	-	-	4,276,554,804	0%	-
Gold	46,657,243	46,657,243	-	-	0%	-
Investment in Nepalese Government Securities	4,914,321,203	-	-	4,914,321,203	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	1,485,449,730	-	-	1,485,449,730	20%	297,089,946
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)	777,657,250	-	-	777,657,250	20%	155,531,450
Claims on Foreign Bank (ECA 2)	513,967,161	-	-	513,967,161	50%	256,983,581
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	28,349,610	-	-	28,349,610	20%	5,669,922
Claims on Domestic Corporate	16,431,303,340	-	294,032,679	16,137,270,661	100%	16,137,270,661
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)	4,010,848,031	-	1,517,000,770	2,493,847,261	75%	1,870,385,446
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	2,169,307,217	-	-	2,169,307,217	60%	1,301,584,330
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	98,265,891	1,118,306	-	97,147,585	100%	97,147,585
Claims secured by Commercial real estate	2,456,711,585	-	-	2,456,711,585	100%	2,456,711,585
Past due claims (except for claim secured by residential properties)	959,075,490	439,719,393	-	519,356,098	150%	779,034,147
High Risk claims	5,923,350,289	457,745	2,278,534,611	3,644,357,933	150%	5,466,536,900

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	86,846,960	-	-	86,846,960	150%	130,270,440
Staff loan secured by residential property	18,917,341	-	-	18,917,341	60%	11,350,405
Interest Receivable/claim on government securities	6,423,644	-	-	6,423,644	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets (as per attachment)	1,150,510,301	567,391,142	-	583,119,159	100%	583,119,159
<b>TOTAL</b>	<b>47,108,392,035</b>	<b>1,103,568,312</b>	<b>4,089,568,060</b>	<b>41,915,255,662</b>		<b>29,548,685,557</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	1,270,000,000	-	-	1,270,000,000	10%	127,000,000
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	901,763,296	-	71,818,413	829,944,883	20%	165,988,977
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)	389,840,634	-	7,229,416	382,611,218	50%	191,305,609
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)	3,684,105,655	-	282,660,891	3,401,444,764	50%	1,700,722,382
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	2,141,089,243	-	212,188,959	1,928,900,284	100%	1,928,900,284
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsement	-	-	-	-	100%	-
Unpaid portion of partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	2,059,125,161	-	-	2,059,125,161	20%	411,825,032
Irrevocable Credit commitments (Long term)	559,333,124	-	-	559,333,124	50%	279,666,562
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	47,611,831	-	-	47,611,831	200%	95,223,662
Total	<b>11,052,868,944</b>	<b>-</b>	<b>573,897,679</b>	<b>10,478,971,265</b>		<b>4,900,632,508</b>
Total RWE for credit risk Before Adjustment (A)+(B)	<b>58,161,260,978</b>	<b>1,103,568,312</b>	<b>4,663,465,739</b>	<b>52,394,226,927</b>		<b>34,449,318,065</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)	<b>58,161,260,978</b>	<b>1,103,568,312</b>	<b>4,663,465,739</b>	<b>52,394,226,927</b>		<b>34,449,318,065</b>

## 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	135,821,772	45,289,550
Gross Income (a)	991,578,523	1,392,533,492	1,453,939,841
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a*b)]	148,736,778	208,880,024	218,090,976
Capital Requirement for operational risk (d) (average of c)			191,902,593
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure[f=(d*e)]			1,919,025,928
<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>1,919,025,928</b>

## iii. Risk Weighted Exposure of Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NPR)	Relevant Open Position
INR	181,238,478	1.60	289,981,565	289,981,565
USD	645,863	101.30	65,425,953	65,425,953
GBP	329,947	157.74	52,047,220	52,047,220
EUR	(473,329)	110.29	(52,201,260)	52,201,260
THB	(2,068)	2.95	(6,108)	6,108
CHF	3,136	105.74	331,578	331,578
AUD	(12,377)	74.11	(917,268)	917,268
CAD	(1,814)	78.07	(141,575)	141,575
SGD	(1,309)	73.89	(96,709)	96,709
JPY	70,074,933	0.82	57,269,792	57,269,792
HKD	1,710	13.06	22,333	22,333
DKK	(1,999)	14.78	(29,560)	29,560
SEK	-	11.85	-	-
SAR	(58,164)	26.80	(1,558,600)	1,558,600
QAR	(9,352)	27.59	(258,067)	258,067
AED	(11,696)	27.36	(319,993)	319,993
MYR	(4,142)	26.41	(109,371)	109,371
KRW	(1,600,295)	0.09	(140,653)	140,653
CNY	(6,386)	16.27	(103,939)	103,939
<b>Total Open Position (a)</b>			<b>409,195,339</b>	<b>520,961,544</b>
<b>Fixed Percentage (b)</b>				<b>5%</b>
<b>Capital Charge for Market Risk [c=(a*b)]</b>				<b>26,048,077</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>26,048,077</b>

## 10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	72,985,121	54,738,841
Doubtful Loan	178,902,681	89,451,341
Loss Loan	333,140,078	0

## 11. NPA ratios

Gross NPA to Gross Advance	1.75%
Net NPA to Net Advances	0.44%

## 12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	417,222,599	72,985,121	(344,237,478)
Doubtful Loan	224,280,199	178,902,681	(45,377,518)
Loss Loan	269,597,529	333,140,078	63,542,549

## 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	312,119,360	329,075,029	5.43%
Sub-standard Loan	104,305,650	18,246,280	-82.51%
Doubtful Loan	112,140,099	89,451,341	-20.23%
Loss Loan	269,597,529	333,140,078	23.57%
Personal Guarantee	457,800	457,745	-0.01%

### ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	332,554,407	238,789,549	-28.20%

## 15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	312,119,360	329,075,029	16,955,670
Sub-standard Loan	104,305,650	18,246,280	(86,059,370)
Doubtful Loan	112,140,099	89,451,341	(22,688,759)
Loss Loan	269,597,529	333,140,078	63,542,549
Personal Guarantee	457,800	457,745	(55)

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

<b>Investment Portfolio</b>	<b>Amount</b>
<b>Held for Trading</b>	<b>56,346,960</b>
NMB Sulav Fund -1	15,659,980
NIBL Samriddhi Fund - 1	27,822,550
Laxmi Mutual Fund -1	12,864,430
<b>Held to Maturity</b>	<b>5,704,449,102</b>
Treasury Bills	4,330,171,203
Development Bond -3 years	584,150,000
Money at Call	48,224,484
Other Investments	741,903,415
<b>Available for sale</b>	<b>30,500,000</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

**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**