

# PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL II as at 31.03.2073

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	12,427,225
Un-audited current year cumulative profit	1,128,236,750
Other Free Reserve	32,950,000
Less: Fictitious Assets	-
Less: Deferred Tax Assets	37,896,000
<b>Total Core Capital (Tier I)</b>	<b>5,421,359,434</b>

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

<b>Supplementary Capital (Tier 2)</b>	<b>Amount</b>
General loan loss provision	413,041,238
Exchange Equalisation Reserve	75,734
Investment Adjustment Reserve	1,619,454
<b>Total Core Capital (Tier II)</b>	<b>414,736,426</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)	5,421,359,434
Supplementary Capital (Tier 2)	414,736,426
<b>Total qualifying capital</b>	<b>5,836,095,860</b>

## 6. Capital Adequacy Ratio:

<b>Capital Adequacy Ratio</b>	<b>Percentage</b>
Tier 1 Capital to Total Risk Weighted Exposures	10.89%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	11.73%

## 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	45,176,836,278
Risk weighted Exposures for Operational Risk	2,316,917,168

Risk weighted exposures for Market Risk	136,401,160
<b>Total Risk Weighted Exposures (Before adjustments of Pillar II)</b>	<b>47,630,154,606</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	1,428,904,638
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>49,773,959,244</b>

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

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	11,251,274,159	-
Claims on Other Financial Entities	-	-
Claims on Banks	3,713,432,465	939,963,664
Claims on Corporate and Securities Firm	21,532,824,505	21,208,775,242
Claims on Regulatory Retail Portfolio	5,189,773,122	2,685,963,406
Claims on Secured by Residential Properties	3,053,037,196	1,867,070,480
Claims on Secured by Commercial Real Estate	2,233,887,916	2,233,887,916
Past due Claims	841,809,050	677,644,259
High Risk Claims	6,639,029,821	6,970,381,712
Other Assets	1,225,151,649	660,362,181
Off Balance Sheet Items	17,575,407,940	7,932,787,418
<b>Total</b>	<b>73,255,627,823</b>	<b>45,176,836,278</b>

**9. Total risk weighted exposure calculation table:**

**i. Risk Weighted Exposure of Credit Risk**

<b>A. 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>
Cash Balance	2,001,623,750	-	-	2,001,623,750	0%	-
Balance with Nepal Rastra Bank	5,156,340,560	-	-	5,156,340,560	0%	-
Gold	102,084,271	102,084,271	-	-	0%	-
Investment in Nepalese Government Securities	3,873,423,078	-	-	3,873,423,078	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	2,380,512,410	-	-	2,380,512,410	20%	476,102,482
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)	531,491,278	-	-	531,491,278	20%	106,298,256
Claims on Foreign Bank (ECA 2)	689,740,227	-	-	689,740,227	50%	344,870,114
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	63,464,067	-	-	63,464,067	20%	12,692,813
Claims on Domestic Corporate	21,532,824,505	-	324,049,263	21,208,775,242	100%	21,208,775,242
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)	5,189,773,122	-	1,608,488,581	3,581,284,541	75%	2,685,963,406
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	2,963,784,300	-	-	2,963,784,300	60%	1,778,270,580
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	89,252,896	452,997	-	88,799,899	100%	88,799,899
Claims secured by Commercial real estate	2,233,887,916	-	-	2,233,887,916	100%	2,233,887,916
Past due claims (except for claim secured by residential properties)	841,809,050	390,046,211	-	451,762,839	150%	677,644,259
High Risk claims	6,639,029,821	331,800	1,991,776,879	4,646,921,142	150%	6,970,381,712

Investments in equity & other capital instruments of institutions listed in the stock exchange	68,472,680	-	-	68,472,680	100%	68,472,680
Investments in equity & other capital instruments of institutions not listed in the stock exchange	15,000,000	-	-	15,000,000	150%	22,500,000
Staff loan secured by residential property	23,348,218	-	-	23,348,218	60%	14,008,931
Interest Receivable/claim on government securities	10,702,597	10,702,597	-	-	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets (as per attachment)	1,107,628,153	552,247,583	-	555,380,570	100%	555,380,570
<b>TOTAL</b>	<b>55,680,219,883</b>	<b>1,104,089,943</b>	<b>3,924,314,724</b>	<b>50,651,815,216</b>		<b>37,244,048,860</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	1,449,225,000	-	-	1,449,225,000	10%	144,922,500
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	1,479,277,104	-	76,058,059	1,403,219,045	20%	280,643,809
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)	437,327,720	-	22,702,916	414,624,804	50%	207,312,402
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)	6,304,289,757	-	326,286,949	5,978,002,808	50%	2,989,001,404
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	3,190,747,168	-	104,113,663	3,086,633,505	100%	3,086,633,505
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsement	-	-	-	-	100%	-
Unpaid portion of partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	3,838,505,992	-	-	3,838,505,992	20%	767,701,198
Irrevocable Credit commitments (Long term)	863,665,200	-	-	863,665,200	50%	431,832,600
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	12,370,000	-	-	12,370,000	200%	24,740,000
Total	17,575,407,940	-	529,161,587	17,046,246,353		7,932,787,418
Total RWE for credit risk Before Adjustment (A)+(B)	73,255,627,823	1,104,089,943	4,453,476,310	67,698,061,569		45,176,836,278
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)	73,255,627,823	1,104,089,943	4,453,476,310	67,698,061,569		45,176,836,278

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	145,015,535	1.60	232,024,856	232,024,856
USD	120,076	107.05	12,854,168	12,854,168
GBP	16,023	142.46	2,282,619	2,282,619
EUR	16,737	118.69	1,986,400	1,986,400
THB	4,187	3.06	12,802	12,802
CHF	121	108.89	13,130	13,130
AUD	2,063	81.33	167,793	167,793
CAD	2,687	82.80	222,507	222,507
SGD	803	79.36	63,700	63,700
JPY	7,392,317	1.01	7,471,182	7,471,182
HKD	11,723	13.80	161,736	161,736
DKK	-	15.96	-	-
SEK	-	12.57	-	-
SAR	199,664	28.32	5,653,904	5,653,904
QAR	94,929	29.16	2,767,855	2,767,855
AED	79,927	28.91	2,310,606	2,310,606
MYR	168,779	26.93	4,545,350	4,545,350
KRW	2,119,192	0.09	199,490	199,490
CNY	1,108	15.98	17,714	17,714
KWD	90	322.54	29,029	29,029
BHD	66	262.86	17,480	17,480
<b>Total Open Position (a)</b>			<b>272,802,320</b>	<b>272,802,320</b>
<b>Fixed Percentage (b)</b>			-	<b>5%</b>
<b>Capital Charge for Market Risk [c=(a*b)]</b>				<b>13,640,116</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>136,401,160</b>

## 10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	94,027,409	70,520,557
Doubtful Loan	86,728,182	43,364,091
Loss Loan	323,502,871	0

## 11. NPA ratios

Gross NPA to Gross Advance	1.23%
Net NPA to Net Advances	0.28%

## 12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	110,406,182	94,027,409	(16,378,773)
Doubtful Loan	138,720,260	86,728,182	(51,992,079)
Loss Loan	353,260,045	323,502,871	(29,757,174)

## 13. Write off of loans and interest suspense

Particulars	Opening Balance	Closing Balance	Difference
Loan and Interest Suspense write-off	0	-	0

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

### i. Movement of Loan Loss Provision

Particulars	Opening Balance	Closing Balance	% Change
Pass Loan	381,282,866	413,041,238	8.33%
Sub-standard Loan	27,601,546	23,506,852	
Doubtful Loan	69,480,130	43,364,091	-37.59%
Loss Loan	353,260,045	323,502,871	-8.42%
Personal Guarantee	331,800	457,193	37.79%

### ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	270,970,919	211,622,316	-21.90%

## 15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	381,282,866	413,041,238	31,758,372
Sub-standard Loan	27,601,546	23,506,852	(4,094,693)

Doubtful Loan	69,480,130	43,364,091	(26,116,039)
Loss Loan	353,260,045	323,502,871	(29,757,174)
Personal Guarantee	331,800	457,193	125,393

**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>
<b>Held for Trading</b>	-
<b>Held to Maturity</b>	<b>5,434,946,165</b>
Treasury Bills	639,273,078
Development Bond	3,234,150,000
Money at Call	448,224,484
Other Investments	1,113,298,603
<b>Available for sale</b>	<b>83,472,680</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
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:**

- Overall risk of the bank is monitored by risk management committee and Audit Committee where the board members are involved.
- 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 interest rate risk, liquidity risk, exchange risk, market risk etc. 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