

# PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL III as at 31.12.2073

*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	5,792,560,007
Statutory General Reserves	803,531,130
Proposed Bonus Equity Shares	-
Share Premium	181,260,155
Retained Earnings	8,038,956
Un-audited current year cumulative profit	865,286,820
Other Free Reserve	32,952,599
Less: Intangible Assets	12,097,048
Less: Deferred Tax Assets	44,811,651
Less: Investment in equity in licensed Financial Institutions	28,000,000
<b>Total Core Capital (Tier I)</b>	<b>7,598,720,968</b>

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

<b>Supplementary Capital (Tier 2)</b>	<b>Amount</b>
General loan loss provision	512,527,663
Exchange Equalization Reserve	75,734
Investment Adjustment Reserve	19,293,388
<b>Total Core Capital (Tier II)</b>	<b>531,896,786</b>

**3. Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, amount raised during the year and amount eligible to be reckoned as capital funds:**

Nil

**4. Deductions from Capital:**

**The bank has deducted to the following items in calculation of Tier I Capital:**

<b>Deduction from Tier I Capital</b>	<b>Amount</b>
Intangible Assets	12,097,047.50
Deferred Tax Assets	44,811,650.95
Investment in equity in licensed Financial Institutions	28,000,000.00
<b>Total Deduction from Tier I Capital</b>	<b>84,908,698.45</b>

**5. Total Qualifying Capital:**

<b>Total Qualifying Capital</b>	<b>Amount</b>
Core Capital (Tier 1)	7,598,720,968
Supplementary Capital (Tier 2)	531,896,786
<b>Total qualifying capital</b>	<b>8,130,617,754</b>

6. Capital Adequacy Ratio:

Capital Adequacy Ratio	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	11.98%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	12.82%

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

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	57,999,911,966
Risk weighted Exposures for Operational Risk	2,686,947,991
Risk weighted exposures for Market Risk	76,355,244
<b>Total Risk Weighted Exposures (Before adjustments of Pillar II)</b>	<b>60,763,215,201</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.	853,000,000
Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	1,822,896,456
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>63,439,111,657</b>

8. Risk weighted exposure under each of 11 categories

Credit Risk	Claim	RWE
<b>Claims on Govt. and Central Bank</b>	12,715,875,430	-
<b>Claims on Other Financial Entities</b>	-	-
<b>Claims on Banks</b>	5,297,482,903	1,766,283,723
<b>Claims on Corporate and Securities Firm</b>	25,167,281,970	24,917,829,747
<b>Claims on Regulatory Retail Portfolio</b>	6,537,194,605	3,450,403,102
<b>Claims on Secured by Residential Properties</b>	3,791,675,208	2,294,256,266
<b>Claims on Secured by Commercial Real Estate</b>	2,027,633,886	2,027,633,886
<b>Past due Claims</b>	953,326,293	812,207,161
<b>High Risk Claims</b>	8,991,519,788	9,545,190,071
<b>Other Assets</b>	1,912,124,097	1,238,871,014
<b>Off Balance Sheet Items</b>	24,980,492,940	11,947,236,996
<b>Total</b>	<b>92,374,607,120</b>	<b>57,999,911,966</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	1,781,628,598	-	-	1,781,628,598	0%	-
Balance with Nepal Rastra Bank	6,470,257,393	-	-	6,470,257,393	0%	-
Gold	122,725,840	122,725,840	-	-	0%	-
Investment in Nepalese Government Securities	4,223,461,100	-	-	4,223,461,100	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	2,465,915,530	-	-	2,465,915,530	20%	493,183,106
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)	386,771,708	-	-	386,771,708	20%	77,354,342
Claims on Foreign Bank (ECA 2)	2,388,106,799	-	-	2,388,106,799	50%	1,194,053,399
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	8,464,382	-	-	8,464,382	20%	1,692,876
Claims on Domestic Corporate	25,167,281,970	-	249,452,223	24,917,829,747	100%	24,917,829,747
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)	6,537,194,605	-	1,936,657,135	4,600,537,470	75%	3,450,403,102
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	3,726,874,733	-	-	3,726,874,733	60%	2,236,124,840
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	64,800,475	6,669,049	-	58,131,426	100%	58,131,426
Claims secured by Commercial real estate	2,027,633,886	-	-	2,027,633,886	100%	2,027,633,886
Past due claims (except for claim secured by residential properties)	953,326,293	411,854,853	-	541,471,441	150%	812,207,161
High Risk claims	8,991,519,788	990,000	2,627,069,741	6,363,460,047	150%	9,545,190,071

Investments in equity & other capital instruments of institutions listed in the stock exchange	217,169,420	-	-	217,169,420	100%	217,169,420
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	42,090,639	-	-	42,090,639	60%	25,254,384
Interest Receivable/claim on government securities	31,353,350	31,353,350	-	-	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets (as per attachment)	1,606,510,687	632,563,478	-	973,947,210	100%	973,947,210
<b>TOTAL</b>	<b>67,394,114,180</b>	<b>1,254,381,053</b>	<b>4,813,179,099</b>	<b>61,326,554,028</b>		<b>46,052,674,970</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	2,164,050,000	-	-	2,164,050,000	10%	216,405,000
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	2,792,079,073	-	148,900,259	2,643,178,814	20%	528,635,763
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)	3,078,969,836	-	164,948,994	2,914,020,842	50%	1,457,010,421
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)	9,287,065,639	-	424,627,697	8,862,437,942	50%	4,431,218,971
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	4,088,171,825	-	26,236,060	4,061,935,765	100%	4,061,935,765
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsement	-	-	-	-	100%	-
Unpaid portion of partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	2,570,886,944	-	-	2,570,886,944	20%	514,177,389
Irrevocable Credit commitments (Long term)	840,457,041	-	-	840,457,041	50%	420,228,520
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	158,812,583	-	-	158,812,583	200%	317,625,167
Total	<b>24,980,492,940</b>	<b>-</b>	<b>764,713,010</b>	<b>24,215,779,930</b>		<b>11,947,236,996</b>
Total RWE for credit risk Before Adjustment (A)+(B)	<b>92,374,607,120</b>	<b>1,254,381,053</b>	<b>5,577,892,108</b>	<b>85,542,333,959</b>		<b>57,999,911,966</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>92,374,607,120</b>	<b>1,254,381,053</b>	<b>5,577,892,108</b>	<b>85,542,333,959</b>		<b>57,999,911,966</b>

ii. Risk Weighted Exposure of Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income	1,059,965,805.99	1,387,782,918.00	1,588,461,085.00
Commission and Discount Income	71,049,554.38	103,923,820.00	150,562,047.00
Other Operating Income	241,470,395.62	256,920,387.00	331,044,044.00
Exchange Fluctuation Income	36,164,535.45	74,147,855.00	100,813,834.00
Additional Interest Suspense during the period	45,289,550.00	(35,413,977.00)	(38,285,872.00)
Gross Income (a)	<b>1,453,939,841</b>	<b>1,787,361,003</b>	<b>2,132,595,138</b>
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a*b)]	218,090,976	268,104,150	319,889,271
Capital Requirement for operational risk (d) (average of c)			268,694,799
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure[f=(d*e)]			2,686,947,991
<i>PILLAR II ADJUSTMENT</i>			-
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			10
Equivalent Risk Weight Exposure[g]			-
<b>Equivalent Risk Weight Exposure [h=f+g]</b>			<b>2,686,947,991</b>

iii. Risk Weighted Exposure of Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NPR)	Relevant Open Position
INR	27,922,140	1.60	44,675,425	44,675,425
USD	35,967	102.75	3,695,597	3,695,597
GBP	1,351	128.51	173,628	173,628
EUR	5,531	109.13	603,650	603,650
THB	(215,375)	2.99	(643,973)	643,973
CHF	2,807	102.11	286,585	286,585
AUD	8,456	77.35	654,098	654,098
CAD	1,579	77.37	122,142	122,142
SGD	39,883	73.48	2,930,606	2,930,606
JPY	-	0.94	-	-
HKD	150,827	13.21	1,992,418	1,992,418
DKK	3,169	14.68	46,525	46,525
SEK	-	11.44	-	-
SAR	18,388	27.18	499,785	499,785
QAR	879	28.00	24,611	24,611
AED	1,681	27.75	46,650	46,650
MYR	10,384	23.08	239,664	239,664
KRW	-	0.09	-	-
CNY	(6,411,517)	14.91	(95,595,714)	95,595,714
KWD	4	333.77	1,225	1,225
BHD	1,765	270.94	478,193	478,193
<b>Total Open Position (a)</b>			<b>(39,768,886)</b>	<b>152,710,488</b>
<b>Fixed Percentage (b)</b>			-	5%
<b>Capital Charge for Market Risk [c=(a*b)]</b>				7,635,524
<b>Risk Weight (reciprocal of capital requirement of 10%) in times (d)</b>				10
<b>Equivalent Risk Weight Exposure [e=(c*d)]</b>				<b>76,355,244</b>

## 10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	242,406,676	181,805,007
Doubtful Loan	154,439,994	77,219,997
Loss Loan	280,552,236	0

## 11. NPA ratios

Gross NPA to Gross Advance	1.37%
Net NPA to Net Advances	0.53%

## 12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	248,007,932	242,406,676	(5,601,256)
Doubtful Loan	130,637,178	154,439,994	23,802,816
Loss Loan	258,338,969	280,552,236	22,213,267

## 13. Write off of loans and interest suspense

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

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

### i. Movement of Loan Loss Provision

Particulars	Opening Balance	Closing Balance	% Change
Pass Loan	459,848,887	482,629,602	4.95%
Watch list	14,440,450	29,921,952	107.21%
Sub-standard Loan	62,001,983	60,601,669	-2.26%
Doubtful Loan	65,318,589	77,219,997	18.22%
Loss Loan	258,338,969	280,552,236	8.60%
Personal Guarantee	457,113	990,000	116.58%

### ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	221,474,755	263,341,609.76	18.90%

## 15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	459,848,887	482,629,602	22,780,715
Watch List	14,440,450	29,921,952	15,481,502
Sub-standard Loan	62,001,983	60,601,669	(1,400,314)

Doubtful Loan	65,318,589	77,219,997	11,901,408
Loss Loan	258,338,969	280,552,236	22,213,267
Personal Guarantee	457,113	990,000	532,887

**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>5,893,099,494</b>
Treasury Bills	989,311,100
Development Bond	3,234,150,000
Money at Call	48,224,484
Other Investments	1,621,413,910
<b>Available for sale</b>	<b>232,169,420.47</b>
Nepal Clearing House Ltd.	2,500,000.00
Mahila Sahayatri Microfinance Dev. Bank Ltd.	14,000,000.00
Mero Microfinance Bittiya Sanstha Ltd	14,000,000.00
Nepal Electronic Payment System Ltd	15,000,000.00
Global IME Samunnat Scheme	37,972,680.00
NEPAL DOORSANCHAR CO.LTD (NTC)	112,057,495.47
NIBL PRAGATI FUND	10,274,070.00
NABIL EQUITY FUND	11,265,040.00
NMB HYBIRD FUND	12,619,210.00
NEPAL LIFE INSURANCE CO.LTD	2,480,925.00

**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.

**Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments**

Nil