

# PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL III as at 30.09.2074

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	8,033,298,870
Statutory General Reserves	1,245,144,080
Proposed Bonus Equity Shares	-
Share Premium	-
Retained Earnings	81,860,655
Un-audited current year cumulative profit	708,680,921
Capital Redemption Reserve	-
Other Free Reserve	45,526,308
Less: Intangible Assets	5,456,011
Less: Deferred Tax Assets	57,374,746
Less: Investment in equity in licensed Financial Institutions	28,000,000
<b>Total Core Capital (Tier I)</b>	<b>10,023,680,077</b>

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

<b>Supplementary Capital (Tier 2)</b>	<b>Amount</b>
General loan loss provision	665,342,223
Exchange Equalization Reserve	75,734
Investment Adjustment Reserve	14,441,291
<b>Total Core Capital (Tier II)</b>	<b>679,859,248</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	5,456,011
Deferred Tax Assets	57,374,745
Investment in equity in licensed Financial Institutions	28,000,000
<b>Total Deduction from Tier I Capital</b>	<b>90,830,756</b>

## 5. Total Qualifying Capital:

<b>Total Qualifying Capital</b>	<b>Amount</b>
Core Capital (Tier 1)	10,023,680,077
Supplementary Capital (Tier 2)	679,859,248
<b>Total qualifying capital</b>	<b>10,703,539,325</b>

6. Capital Adequacy Ratio:

Capital Adequacy Ratio	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	11.94%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	12.76%

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

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	76,930,090,145
Risk weighted Exposures for Operational Risk	3,367,482,488
Risk weighted exposures for Market Risk	80,506,718
<b>Total Risk Weighted Exposures (Before adjustments of Pillar II)</b>	<b>80,378,079,351</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 4 % of gross income.	1,126,000,000
Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	2,411,342,381
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>83,915,421,731</b>

8. Risk weighted exposure under each of 11 categories

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	14,905,610,405	-
Claims on Other Financial Entities	-	-
Claims on Banks	7,156,554,188	1,977,654,371
Claims on Corporate and Securities Firm	31,509,784,233	31,303,738,531
Claims on Regulatory Retail Portfolio	11,113,148,442	6,391,961,952
Claims on Secured by Residential Properties	5,182,235,065	3,132,374,576
Claims on Secured by Commercial Real Estate	5,603,643,988	5,603,643,988
Past due Claims	1,291,510,895	1,205,602,367
High Risk Claims	6,455,771,215	5,948,005,916
Other Assets	2,829,220,643	1,805,500,384
Off Balance Sheet Items	37,551,053,388	19,561,608,060
<b>Total</b>	<b>123,598,532,463</b>	<b>76,930,090,145</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	1,890,936,946	-	-	1,890,936,946	0%	-
Balance with Nepal Rastra Bank	5,707,399,871	-	-	5,707,399,871	0%	-
Gold	20,233,048	20,233,048	-	-	0%	-
Investment in Nepalese Government Securities	7,146,121,550	-	-	7,146,121,550	0%	-
All claims on Government of Nepal	140,918,990	-	-	140,918,990	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	4,139,831,597	-	-	4,139,831,597	20%	827,966,319
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)	1,107,121,864	-	-	1,107,121,864	20%	221,424,373
Claims on Foreign Bank (ECA 2)	1,853,294,767	-	-	1,853,294,767	50%	926,647,383
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	8,081,476	-	-	8,081,476	20%	1,616,295
Claims on Domestic Corporate	31,509,784,233	-	206,045,702	31,303,738,531	100%	31,303,738,531
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)	11,113,148,442	-	2,590,532,506	8,522,615,936	75%	6,391,961,952
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	5,079,313,552	-	-	5,079,313,552	60%	3,047,588,131
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	102,921,514	18,135,069	-	84,786,445	100%	84,786,445
Claims secured by Commercial real estate	5,603,643,988	-	-	5,603,643,988	100%	5,603,643,988
Past due claims (except for claim secured by residential properties)	1,291,510,895	487,775,984	-	803,734,911	150%	1,205,602,367
High Risk claims	6,455,771,215	-	2,490,433,938	3,965,337,277	150%	5,948,005,916

Investments in equity & other capital instruments of institutions listed in the stock exchange	647,064,530	-	-	647,064,530	100%	647,064,530
Investments in equity & other capital instruments of institutions not listed in the stock exchange	19,100,000	17,600,000	-	1,500,000	150%	2,250,000
Staff loan secured by residential property	69,389,789	-	-	69,389,789	60%	41,633,873
Interest Receivable/claim on government securities	75,492,514	75,492,514	-	-	0%	-
Cash in transit and other cash items in the process of collection	139,271,018	-	-	139,271,018	20%	27,854,204
Other Assets (as per attachment)	1,878,902,792	792,205,015	-	1,086,697,777	100%	1,086,697,777
<b>TOTAL</b>	<b>86,047,479,074</b>	<b>1,459,666,114</b>	<b>5,287,012,146</b>	<b>79,300,800,815</b>		<b>57,368,482,085</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	2,966,324,873	-	-	2,966,324,873	10%	296,632,487
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	3,656,450,596	-	185,359,054	3,471,091,542	20%	694,218,308
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)	4,027,065,338	-	161,651,851	3,865,413,488	50%	1,932,706,744
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)	13,761,877,691	-	685,257,875	13,076,619,816	50%	6,538,309,908
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	8,531,017,320	-	103,974,822	8,427,042,498	100%	8,427,042,498
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsement	3,027,882	-	-	3,027,882	100%	3,027,882
Unpaid portion of partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	3,212,785,493	-	-	3,212,785,493	20%	642,557,099
Irrevocable Credit commitments (Long term)	1,142,430,495	-	-	1,142,430,495	50%	571,215,248
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective capital requirement	-	-	-	-	20%	-
Other Contingent Liabilities	44,249,514	-	-	44,249,514	100%	44,249,514
Unpaid Guarantee Claims	205,824,186	-	-	205,824,186	200%	411,648,372
Total	<b>37,551,053,388</b>	-	<b>1,136,243,601</b>	<b>36,414,809,787</b>		<b>19,561,608,060</b>
Total RWE for credit risk Before Adjustment (A)+(B)	<b>123,598,532,463</b>	<b>1,459,666,114</b>	<b>6,423,255,747</b>	<b>115,715,610,601</b>		<b>76,930,090,145</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>123,598,532,463</b>	<b>1,459,666,114</b>	<b>6,423,255,747</b>	<b>115,715,610,601</b>		<b>76,930,090,145</b>

## ii. Risk Weighted Exposure of Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income	1,387,782,918	1,588,461,085	1,904,341,193
Commission and Discount Income	103,923,820	150,562,047	362,216,883
Other Operating Income	256,920,387	331,044,044	419,802,480
Exchange Fluctuation Income	74,147,855	100,813,834	122,512,091
Additional Interest Suspense during the period	(35,413,977)	(38,285,872)	6,136,187
Gross Income (a)	<b>1,787,361,003</b>	<b>2,132,595,138</b>	<b>2,815,008,834</b>
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a*b)]	268,104,150	319,889,271	422,251,325
Capital Requirement for operational risk (d) (average of c)			336,748,249
Risk Weight (reciprocal of capital requirement of 10%) in times (e)			10
Equivalent Risk Weight Exposure[f=(d*e)]			3,367,482,488
<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			10
Equivalent Risk Weight Exposure[g]			-
<b>Equivalent Risk Weight Exposure [h=f+g]</b>			<b>3,367,482,488</b>

## iii. Risk Weighted Exposure of Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NPR)	Relevant Open Position
INR	81,348,406	1.60	130,157,450	130,157,450
USD	124,751	101.45	12,656,021	12,656,021
GBP	16,233	138.79	2,253,008	2,253,008
EUR	14,463	123.20	1,781,870	1,781,870
THB	5,347	3.17	16,949	16,949
CHF	985	104.27	102,729	102,729
AUD	2,665	79.54	211,984	211,984
CAD	462	81.15	37,508	37,508
SGD	483	76.27	36,857	36,857
JPY	12,510,357	0.91	11,379,421	11,379,421
HKD	11,560	12.96	149,818	149,818
DKK	-	16.52	-	-
SEK	-	12.56	-	-
SAR	41,396	26.84	1,111,079	1,111,079
QAR	13,929	27.63	384,848	384,848
AED	5,815	27.40	159,332	159,332
MYR	5,271	25.36	133,674	133,674
KRW	2,913,694	0.10	277,675	277,675
CNY	7,795	15.67	122,143	122,143
KWD	79	333.39	26,287	26,287
BHD	55	266.97	14,784	14,784
<b>Total Open Position (a)</b>			<b>161,013,436</b>	<b>161,013,436</b>
Fixed Percentage (b)			-	5%
Capital Charge for Market Risk [c=(a*b)]				8,050,672
Risk Weight (reciprocal of capital requirement of 10%) in times (d)				10
<b>Equivalent Risk Weight Exposure [e=(c*d)]</b>				<b>80,506,718</b>

## 10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	323,359,942	242,399,956
Doubtful Loan	328,657,144	164,328,572
Loss Loan	260,622,495	-

## 11. NPA ratios

Gross NPA to Gross Advance	1.43%
Net NPA to Net Advances	0.65%

## 12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	418,320,633	323,359,942	(94,960,691)
Doubtful Loan	126,975,968	328,657,144	201,681,177
Loss Loan	275,420,593	260,622,495	(14,798,098)

## 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	588,567,426	619,412,973	5.24%
Watch list	20,123,844	45,929,250	128.23%
Sub-standard Loan	104,580,158	80,689,986	-22.84%
Doubtful Loan	63,487,984	164,328,572	158.83%
Loss Loan	275,420,593	256,622,495	-6.83%
Personal Guarantee	966,000	4,270,000	342.03%

### ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	336,315,815.70	342,150,723.63	1.73%

## 15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	588,567,426	619,412,973	30,845,546
Watch List	20,123,844	45,929,250	25,805,406
Sub-standard Loan	104,580,158	80,689,986	(23,890,173)
Doubtful Loan	63,487,984	164,328,572	100,840,588
Loss Loan	275,420,593	256,622,495	(18,798,098)
Personal Guarantee	966,000	4,270,000	3,304,000

**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>
<b>Held for Trading</b>	<b>-</b>
<b>Held to Maturity</b>	<b>10,743,012,251</b>
Treasury Bills	782,441,550
Development Bond	6,363,680,000
Money at Call	48,224,484
Other Investments	3,548,666,217
<b>Available for sale</b>	<b>666,164,530</b>
Ngadi Group Power Limited	57,900
Prabhu Capital Limited	1,500,000
Nerude Laghubitta Limited - Ordinary	1,993,000
Nerude Laghubitta Limited - Promoter	14,025,200
Laxmi Equity Fund	58,495,870
Mahila Sahayatra MicroFinance Bittiya Sansthan Ltd.	14,000,000
Mero MicroFinance Bittiya Sansthan Ltd	14,000,000
Global IME Sanunnat Scheme-1	37,978,705
NEPS Ltd.	15,000,000
NMB Hybrid Fund	12,636,128
NABIL Equity Fund	11,265,040
Nepal Doorsanchar Company (NTC)	195,868,285
NIBL Pragati Fund	10,299,322
Nepal Clearing House Limited	2,600,000
NECO Insurance Ltd.	162,490,629
NLG Insurance Co. Ltd.	113,954,449

**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**