

# PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL III as at 29.09.2073

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	4,940,349,686
Statutory General Reserves	803,531,130
Proposed Bonus Equity Shares	852,210,321
Share Premium	179,221,055
Retained Earnings	8,038,956
Un-audited current year cumulative profit	543,757,589
Other Free Reserve	32,950,000
Less: Intangible Assets	11,005,343
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>7,276,241,743</b>

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

<b>Supplementary Capital (Tier 2)</b>	<b>Amount</b>
General loan loss provision	474,289,337
Exchange Equalization Reserve	75,734
Investment Adjustment Reserve	17,577,852
<b>Total Core Capital (Tier II)</b>	<b>491,942,923</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	11,005,343.20
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>83,816,994.15</b>

## 5. Total Qualifying Capital:

<b>Total Qualifying Capital</b>	<b>Amount</b>
Core Capital (Tier 1)	7,276,241,743
Supplementary Capital (Tier 2)	491,942,923
<b>Total qualifying capital</b>	<b>7,768,184,666</b>

6. Capital Adequacy Ratio:

Capital Adequacy Ratio	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	12.72%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	13.58%

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

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	51,889,223,409
Risk weighted Exposures for Operational Risk	2,686,947,991
Risk weighted exposures for Market Risk	147,751,315
<b>Total Risk Weighted Exposures (Before adjustments of Pillar II)</b>	<b>54,723,922,716</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	1,641,717,681
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>57,218,640,397</b>

8. Risk weighted exposure under each of 11 categories

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	12,211,339,849	-
Claims on Other Financial Entities	-	-
Claims on Banks	5,195,435,608	1,504,193,917
Claims on Corporate and Securities Firm	23,640,896,533	23,391,956,132
Claims on Regulatory Retail Portfolio	6,393,744,223	3,412,192,353
Claims on Secured by Residential Properties	3,627,525,958	2,198,503,764
Claims on Secured by Commercial Real Estate	2,039,691,383	2,039,691,383
Past due Claims	907,465,204	790,064,102
High Risk Claims	8,283,522,345	9,173,322,025
Other Assets	1,624,666,022	1,024,055,148
Off Balance Sheet Items	18,519,214,218	8,355,244,584
<b>Total</b>	<b>82,443,501,344</b>	<b>51,889,223,409</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	1,530,827,914	-	-	1,530,827,914	0%	-
Balance with Nepal Rastra Bank	5,936,334,541	-	-	5,936,334,541	0%	-
Gold	9,651,474	9,651,474	-	-	0%	-
Investment in Nepalese Government Securities	4,616,723,420	-	-	4,616,723,420	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	2,993,617,205	-	-	2,993,617,205	20%	598,723,441
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)	531,196,062	-	-	531,196,062	20%	106,239,212
Claims on Foreign Bank (ECA 2)	1,582,505,641	-	-	1,582,505,641	50%	791,252,821
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	39,892,216	-	-	39,892,216	20%	7,978,443
Claims on Domestic Corporate	23,640,896,533	-	248,940,401	23,391,956,132	100%	23,391,956,132
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)	6,393,744,223	-	1,844,154,419	4,549,589,804	75%	3,412,192,353
Claims fulfilling all criterion of regulatory retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	3,560,296,140	-	-	3,560,296,140	60%	2,136,177,684
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	67,229,818	4,903,738	-	62,326,080	100%	62,326,080
Claims secured by Commercial real estate	2,039,691,383	-	-	2,039,691,383	100%	2,039,691,383
Past due claims (except for claim secured by residential properties)	907,465,204	380,755,802	-	526,709,402	150%	790,064,102
High Risk claims	8,283,522,345	457,113	2,167,517,215	6,115,548,017	150%	9,173,322,025

Investments in equity & other capital instruments of institutions listed in the stock exchange	131,392,608	-	-	131,392,608	100%	131,392,608
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	41,588,179	-	-	41,588,179	60%	24,952,908
Interest Receivable/claim on government securities	11,242,111	11,242,111	-	-	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets (as per attachment)	1,425,443,123	580,233,491	-	845,209,632	100%	845,209,632
<b>TOTAL</b>	<b>63,924,287,125</b>	<b>1,035,468,214</b>	<b>4,260,612,035</b>	<b>58,628,206,876</b>		<b>43,533,978,825</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	2,073,850,000	-	-	2,073,850,000	10%	207,385,000
LC Commitments with Original Maturity upto 6 months (domestic counterparty)	2,247,616,174	-	98,684,209	2,148,931,965	20%	429,786,393
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)	763,296,129	-	27,141,700	736,154,429	50%	368,077,215
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)	6,320,934,957	-	365,792,993	5,955,141,964	50%	2,977,570,982
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	3,308,148,475	-	23,583,369	3,284,565,106	100%	3,284,565,106
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsement	-	-	-	-	100%	-
Unpaid portion of partly paid shares and securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	2,768,931,176	-	-	2,768,931,176	20%	553,786,235
Irrevocable Credit commitments (Long term)	1,025,867,307	-	-	1,025,867,307	50%	512,933,653
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	10,570,000	-	-	10,570,000	200%	21,140,000
Total	18,519,214,218	-	515,202,271	18,004,011,947		8,355,244,584
Total RWE for credit risk Before Adjustment (A)+(B)	82,443,501,344	1,035,468,214	4,775,814,306	76,632,218,823		51,889,223,409
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)	82,443,501,344	1,035,468,214	4,775,814,306	76,632,218,823		51,889,223,409

## 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
<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>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	172,442,915	1.60	275,908,664	275,908,664
USD	33,789	108.85	3,677,915	3,677,915
GBP	20,860	132.06	2,754,764	2,754,764
EUR	53,853	115.23	6,205,373	6,205,373
THB	23,820	3.07	73,058	73,058
CHF	744	107.48	79,942	79,942
AUD	3,074	81.09	249,273	249,273
CAD	7,152	82.50	590,034	590,034
SGD	6,988	76.01	531,139	531,139
JPY	2,246,318	0.95	2,129,707	2,129,707
HKD	5,937	14.03	83,294	83,294
DKK	-	15.51	-	-
SEK	-	12.15	-	-
SAR	62,894	28.80	1,811,360	1,811,360
QAR	13,091	29.65	388,205	388,205
AED	14,010	29.40	411,884	411,884
MYR	21,697	24.24	525,866	525,866
KRW	100,380	0.09	9,275	9,275
CNY	4,094	15.75	64,469	64,469
KWD	20	352.93	7,111	7,111
BHD	5	286.45	1,298	1,298
<b>Total Open Position (a)</b>			<b>295,502,630</b>	<b>295,502,630</b>
<b>Fixed Percentage (b)</b>			-	5%
<b>Capital Charge for Market Risk [c=(a*b)]</b>				14,775,132
<b>Risk Weight (reciprocal of capital requirement of 10%) in times (d)</b>				10
<b>Equivalent Risk Weight Exposure [e=(c*d)]</b>				<b>147,751,315</b>

## 10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	Nil	Nil
Sub-Standard Loan	248,007,932	186,005,949
Doubtful Loan	130,637,178	65,318,589
Loss Loan	258,338,969	0

## 11. NPA ratios

Gross NPA to Gross Advance	1.36%
Net NPA to Net Advances	0.55%

## 12. Movement of Non-performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Sub-standard Loan	186,745,888	248,007,932	61,262,044
Doubtful Loan	122,017,460	130,637,178	8,619,718
Loss Loan	261,697,323	258,338,969	(3,358,355)

## 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	418,201,645	459,848,887	9.96%
Watch list	34,700,500	14,440,450	-58.39%
Sub-standard Loan	46,686,472	62,001,983	32.81%
Doubtful Loan	61,008,730	65,318,589	7.06%
Loss Loan	261,697,323	258,338,969	-1.28%
Personal Guarantee	512,436	457,113	-10.80%

### ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	238,594,806	221,474,755	-7.18%

## 15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	418,201,645	459,848,887	41,647,242
Watch List	34,700,500		(20,260,050)

		14,440,450	
Sub-standard Loan	46,686,472	62,001,983	15,315,511
Doubtful Loan	61,008,730	65,318,589	4,309,859
Loss Loan	261,697,323	258,338,969	(3,358,354)
Personal Guarantee	512,436	457,113	(55,323)

**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>7,113,068,429</b>
Treasury Bills	1,382,573,420
Development Bond	3,234,150,000
Money at Call	448,224,484
Other Investments	2,048,120,525
<b>Available for sale</b>	<b>146,392,608</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)	28,761,608.28
NIBL PRAGATI FUND	10,274,070.00
NABIL EQUITY FUND	11,265,040.00
NMB HYBIRD FUND	12,619,210.00

**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