

PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL III as at 2081.09.29

Amount in NPR

1. Tier 1 capital and a breakdown of its components:

Core Capital (Tier 1)	Amount (Rs.)
Paid up Equity Share Capital	19,402,575,716
Statutory General Reserves	5,849,633,356
Proposed Bonus Equity Shares	-
Share Premium	-
Retained Earnings	25,210,661
Un-audited current year cumulative profit	1,816,504,590
Capital Redemption Reserve	-
Other Free Reserve	-
Less: Fictitious Assets	-
Less: Intangible Assets	(12,843,768)
Less: Deferred Tax Assets	-
Less: Investment in equity in licensed Financial Institutions	(46,023,000)
Less: Other Deductions	(25,000,000)
Total Core Capital (Tier I)	27,010,057,555

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

Supplementary Capital (Tier 2)	Amount (Rs.)
Subordinated Term Debt	-
General loan loss provision	2,998,083,111
Exchange Equalisation Reserve	5,313,918
Investment Adjustment Reserve	6,500,000
Accrued Interest Receivable on pass loan included in Regulatory Reserve	605,684,336
Interest Capitalized Reserve included in Regulatory Reserve	44,662,234
Total Supplementary Capital (Tier II)	3,660,243,599

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:

Deduction from Tier I Capital	Amount
Intangible Assets	12,843,768
Deferred Tax Assets	-
Investment in equity in licensed Financial Institutions	46,023,000
Other deductions	25,000,000
Total Deduction from Tier I Capital	83,866,768

5. Total Qualifying Capital:

Total Qualifying Capital	Amount
Core Capital (Tier 1)	27,010,057,555
Supplementary Capital (Tier 2)	3,660,243,599
Total qualifying capital	30,670,301,154

6. Capital Adequacy Ratio:

Capital Adequacy Ratio	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	10.28%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	11.67%

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

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	239,846,648,873
Risk weighted Exposures for Operational Risk	12,386,178,878
Risk weighted exposures for Market Risk	212,186,289
Total Risk Weighted Exposures (Before adjustments of Pillar II)	252,445,014,040
<i>Adjustment under Pillar II</i>	
Adjustment as per SRP 6.4a (5)	-
Adjustment as per SRP 6.4a (6)	-
Adjustment as per SRP 6.4a (7)	2,811,991,500
Adjustment as per SRP 6.4a (9)	7,573,350,421
Adjustment as per SRP 6.4a (10)	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	262,830,355,961

8. Risk weighted exposure under each of 16 categories

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	63,084,922,206	-
Claims on Other Financial Entities	-	-
Claims on Banks	21,697,771,196	5,666,933,874
Claims on Corporate and Securities Firm	98,243,871,159	97,979,711,670
Claims on Regulatory Retail Portfolio	38,100,339,356	22,851,713,468
Claims on Secured by Residential Properties	8,905,188,130	5,426,253,411
Claims on Secured by Commercial Real Estate	16,227,795,167	16,227,795,167
Past due Claims	15,801,719,063	14,545,108,902
High Risk Claims	13,416,387,259	19,255,682,276
Real Estate loans for land acquisition and development (Other than mentioned in Capital Adequacy framework 2015-point 3.3(j)(1)(k))	2,834,125,852	3,542,657,314
Lending against Shares(above Rs.5 Million)	5,901,637,375	7,377,046,719
Lending against Shares(upto Rs.2.5 Million)	584,377,698	584,377,698
Trust Receipt Loans for Trading Firms	629,157,162	754,988,594
Real Estate loans for land acquisition and development (For institutions/projects registred/licensed and approved by Government of Nepal for land acquisition and development purposes)	721,049,472	721,049,472
Personal Hirepurchase/Personal Auto Loans (upto Rs. 2.5 Million)	273,643,797	273,643,797
Other Assets	15,597,836,756	5,597,578,016
Off Balance Sheet Items	87,778,650,937	39,042,108,496
Adjustment under Pillar II	-	-
Total	389,798,472,584	239,846,648,873

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	3,466,624,171	-	-	3,466,624,171	0%	-
Balance With Nepal Rastra Bank	12,530,612,526	-	-	12,530,612,526	0%	-
Gold	-	-	-	-	0%	-
Investment in Nepalese Government Securities	46,014,550,000	-	-	46,014,550,000	0%	-
All Claims on Government of Nepal	1,073,135,509	-	-	1,073,135,509	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	20%	-
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	100%	-
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	150%	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-
Claims on Domestic Public Sector Entities	-	-	-	-	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	11,549,413,557	-	-	11,549,413,557	20%	2,309,882,711
Claims on domestic banks that do not meet capital adequacy requirements	48,224,484	48,224,484	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	2,024,116,489	-	-	2,024,116,489	20%	404,823,298
Claims on foreign bank (ECA Rating 2)	4,456,748,440	-	-	4,456,748,440	50%	2,228,374,220
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-
Claims on foreign bank incorporated in SAARC region and China operating with a buffer of 1% above their respective regulatory capital requirement	3,619,268,225	-	-	3,619,268,225	20%	723,853,645
Claims on Domestic Corporates (Credit rating score equivalent to AAA)	-	-	-	-	50%	-
Claims on Domestic Corporates (Credit rating score equivalent to AA+ to AA-)	-	-	-	-	70%	-
Claims on Domestic Corporates (Credit rating score equivalent to A+ to A-)	-	-	-	-	80%	-
Claims on Domestic Corporates (Credit rating score equivalent to BBB+ & below)	22,359,792,616	-	-	22,359,792,616	100%	22,359,792,616
Claims on Domestic Corporates (Unrated)	75,884,078,543	-	264,159,489	75,619,919,054	100%	75,619,919,054
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	38,100,339,356	-	7,631,388,065	30,468,951,291	75%	22,851,713,468
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	8,254,617,203	-	-	8,254,617,203	60%	4,952,770,322
Claims not fully secured by residential properties	-	-	-	-	150%	-

Claims secured by residential properties (Overdue)	650,570,927	177,087,838	-	473,483,089	100%	473,483,089
Claims secured by Commercial real estate	16,227,795,167	-	-	16,227,795,167	100%	16,227,795,167
Past due claims (except for claims secured by residential properties)	15,801,719,063	6,104,979,796	-	9,696,739,268	150%	14,545,108,902
High Risk claims	13,416,387,259	-	579,265,742	12,837,121,517	150%	19,255,682,276
Real Estate loans for land acquisition and development (Other than mentioned in Capital Adequacy framework 2015-point 3.3(j)(1)(k))	2,834,125,852	-	-	2,834,125,852	125%	3,542,657,314
Lending against Shares(above Rs.5 Million)	5,901,637,375	-	-	5,901,637,375	125%	7,377,046,719
Lending against securities (bonds)	-	-	-	-	100%	-
Lending against Shares(upto Rs.5 Million)	584,377,698	-	-	584,377,698	100%	584,377,698
Trust Receipt Loans for Trading Firms	629,157,162	-	-	629,157,162	120%	754,988,594
Real Estate loans for land acquisition and development (For institutions/projects registred/licensed and approved by Government of Nepal for land acquisition and development purposes)	721,049,472	-	-	721,049,472	100%	721,049,472
Personal Hirepurchase/Personal Auto Loans	273,643,797	-	-	273,643,797	100%	273,643,797
Investments in equity and other capital instruments of institutions listed in stock exchange	2,309,291,624	-	-	2,309,291,624	100%	2,309,291,624
Investments in equity and other capital instruments of institutions not listed in the stock exchange	102,313,949	-	-	102,313,949	150%	153,470,924
Staff loan secured by residential property	1,207,583,409	-	-	1,207,583,409	50%	603,791,705
Interest Receivable/claim on government securities	647,334,020	647,334,020	-	-	0%	-
Cash in transit and other cash items in the process of collection	104,849	-	-	104,849	20%	20,970
Other Assets (as per attachment)	11,331,208,904	8,800,206,111	-	2,531,002,793	100%	2,531,002,793
TOTAL	302,019,821,647	15,777,832,249	8,474,813,296	277,767,176,102		200,804,540,377

B. Off-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)
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	-	-	-	-	0%	-
Forward Exchange Contract Liabilities	4,253,181,691	-	-	4,253,181,691	10%	425,318,169
LC Commitments With Original Maturity Upto 6 months domestic counterparty	9,432,234,587	-	318,128,806	9,114,105,781	20%	1,822,821,156
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	3,779,272,108	-	58,070,266	3,721,201,842	50%	1,860,600,921
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, Performance Bond and Counter guarantee domestic counterparty	45,707,408,691	-	1,709,555,711	43,997,852,980	40%	17,599,141,192
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	11,787,836,876	-	48,977,024	11,738,859,852	100%	11,738,859,852
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsements	63,794,926	-	-	63,794,926	100%	63,794,926
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (short term)	8,381,259,494	-	-	8,381,259,494	20%	1,676,251,899
Irrevocable Credit commitments (long term)	3,261,336,498	-	-	3,261,336,498	50%	1,630,668,249
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-
Other Contingent Liabilities	-	-	-	-	100%	-
Unpaid Guarantee Claims	1,112,326,066	-	-	1,112,326,066	200%	2,224,652,131
Total	87,778,650,937	-	2,134,731,807	85,643,919,130		39,042,108,496
Total RWE for credit risk Before Adjustment (A)+(B)	389,798,472,584	15,777,832,249	10,609,545,102	363,411,095,233		239,846,648,873
<u>Adjustment under Pillar II</u>	-	-	-	-		-
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)	389,798,472,584	15,777,832,249	10,609,545,102	363,411,095,233		239,846,648,873

ii. Risk Weighted Exposure of Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income	6,186,965,708	7,140,747,994	7,882,775,527
Commission and Discount Income	1,230,738,396	1,354,544,226	1,874,205,208
Other Operating Income	154,983,320	144,579,826	122,447,010
Exchange Fluctuation Income	233,087,786	148,668,167	150,120,496
Additional Interest Suspense during the period	53,057,848	293,319,426	282,077,825
Gross Income (a)	7,858,833,058	9,081,859,639	10,311,626,066
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a*b)]	1,178,824,959	1,546,743,910	1,546,743,910
Capital Requirement for operational risk (d) (average of c)			1,362,615,938
Risk Weight (reciprocal of capital requirement of 11%) in times (e)			9.09
Equivalent Risk Weight Exposure[f=(d*e)]			12,386,178,878
PILLAR II ADJUSTMENT			-
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 11%) in times			-
Equivalent Risk Weight Exposure[g]			-
Equivalent Risk Weight Exposure [h=f+g]			12,386,178,878

iii. Risk Weighted Exposure of Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NPR)	Relevant Open Position
INR	267,141,282	1.60	427,426,052	427,426,052
USD	103,365	138.10	14,274,716	14,274,716
GBP	9,922	167.79	1,664,846	1,664,846
EUR	31,689	140.82	4,462,498	4,462,498
THB	19,102	3.95	75,454	75,454
CHF	9,822	150.04	1,473,748	1,473,748
AUD	38,485	84.64	3,257,350	3,257,350
CAD	2,059	95.29	196,247	196,247
SGD	3,763	100.12	376,716	376,716
JPY	618,385	0.87	540,901	540,901
HKD	57,329	17.65	1,011,851	1,011,851
DKK	122,769	18.85	2,314,193	2,314,193
SEK	5,776	12.23	70,639	70,639
SAR	102,895	36.60	3,765,944	3,765,944
QAR	63,793	37.72	2,406,283	2,406,283
AED	18,381	37.40	687,435	687,435
MYR	27,351	30.47	833,388	833,388
KRW	4,152,690	0.09	388,277	388,277
CNY	68,086	18.78	1,278,655	1,278,655
KWD	431	444.94	191,870	191,870
BHD	438	364	159,461	159,461
OMR	-	-	-	-
Total Open Position (a)			466,856,521	466,856,521
Fixed Percentage (b)			-	5%
Capital Charge for Market Risk [c=(a*b)]				23,342,826
Risk Weight (reciprocal of capital requirement of 11%) in times (d)				9.09
Equivalent Risk Weight Exposure [e=(c*d)]				212,186,289

10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	-	-
Sub-Standard Loan	3,362,076,433	2,521,557,324
Doubtful Loan	3,394,177,360	1,697,088,680
Loss Loan	3,744,459,846	-

11. NPA ratios

Gross NPA to Gross Loan & Advance	4.96%
Net NPA to Net Loan & Advances	2.10%

12. Movement of Non-Performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Restructure/Reschedule	-	-	-
Sub-standard Loan	3,729,071,492	3,362,076,433	(366,995,059)
Doubtful Loan	1,822,151,870	3,394,177,360	1,572,025,489
Loss Loan	4,261,307,263	3,744,459,846	(516,847,417)

13. Write off of loans and interest suspense

Particulars	Opening Balance	Closing Balance	Difference
Principal	-	526,008,279	526,008,279
Interest	-	94,638,365	94,638,365

14. Movements in loan loss provisions and Interest suspense**i. Movement of Loan Loss Provision**

Particulars	Opening Balance	Closing Balance	% Change
Pass Loan	1,669,631,636	1,859,499,960	11.37%
Watch list	2,009,681,930	1,607,856,472	-19.99%
Restructure/Reschedule	-	-	0.00%
Sub-standard Loan	932,267,873	840,519,108	-9.84%
Doubtful Loan	911,075,935	1,697,088,680	86.27%
Loss Loan	4,261,307,263	3,744,459,846	-12.13%
Additional provision	455,504,469	1,333,990,701	192.86%

ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	845,937,812	1,090,670,223	28.93%

15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	1,669,631,636	1,859,499,960	189,868,324
Watch List	2,009,681,930	1,607,856,472	(401,825,458)
Restructure/Reschedule	-	-	-
Sub-standard Loan	932,267,873	840,519,108	(91,748,765)
Doubtful Loan	911,075,935	1,697,088,680	786,012,745
Loss Loan	4,261,307,263	3,744,459,846	(516,847,417)
Additional provision	455,504,469	1,333,990,701	878,486,232

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

Investment Portfolio	Amount (Rs.)
Held for Trading	-
Held to Maturity	
Investment Securities at Amortized Cost	
<i>Treasury Bills</i>	-
<i>Development Bond</i>	46,014,550,000
<i>Debenture</i>	1,396,578,000
Grand Total	47,411,128,000

Available for Sale -Investment in Equity measured at FVTOCIO

Particulars	Amount(Rs.)	Fair Value (Rs.)
Annapurna Developers Ltd.	2,000,000	2,000,000
Api Power Company Ltd.	2,834,645	2,863,060
Banking,Finance & Insurance Institute Of Nepal Ltd.	3,000,000	5,253,011
Cedb Hydropower Development Company Limited	9,920,393	10,199,169
Chilime Hydro Power Company Ltd.	28,141,461	30,497,154
Citizens Mutual Fund 1	48,822,172	50,509,553
Citizens Mutual Fund 2	23,877,782	22,639,280
Citizens Super 30 Mutual Fund	78,449,540	70,825,412
Garima Samriddhi Yojana	20,000,000	20,000,000
Global Ime Balanced Fund - 1	40,370,806	39,527,193
Himalayan 80-20 (Hbl8020)	52,558,598	52,036,423
Hydorelectricity Investment And Development Company Ltd.	64,182,916	75,319,040
Karja Suchana Kendra Ltd.	94,500	1,181,300
Kumari Dhanabridhi Yojana	29,516,563	26,303,970
Kumari Equity Fund	21,464,981	19,493,985
Kumari Sabal Yojana	14,607,620	13,039,908
Laxmi Unnati Kosh	8,567,093	8,637,343
Laxmi Value Fund II (Lv2)	63,947,885	58,121,414
Matribhumi Lagubitta Sanstha Limited Promoter Share	18,770,000	39,486,430
Mega Mutual Fund 1	48,229,910	46,986,679
Muktinath Mutual Fund 1	10,000,000	10,000,000
Nabil Balance Fund-3	52,105,343	50,818,185
Nabil Balance Fund-2	65,105,287	62,374,589
Nabil Flexi Cap Fund	30,000,000	33,510,000
National Microfinance Laghubitta Bittiya Sanstha Ltd. Promoter	14,000,000	54,332,814
Nepal Clearing House Ltd.	19,089,300	91,837,763
Nepal Doorsanchar Co.Ltd (Ntc)	83,035,010	87,288,624
Nepal Insurance Co. Ltd.	11,412,487	13,024,050
Nerude Mirmire Lagubitta Bittiya Sanstha Ltd.	10,861,843	256,852,690
Nibl Growth Fund	66,032,945	57,058,416
Nibl Samriddhi Fund -2	12,702,565	11,526,848
Nibl Stable Fund	28,478,885	24,880,808

Nic Asia Balance Fund	51,263,654	48,492,765
Nic Asia Dynamic Debt Fund	6,648,300	6,900,935
Nic Asia Flexi Cap Fund	29,056,765	25,672,587
Nic Asia Growth Fund	22,011,331	22,373,303
Nic Asia Select - 30 (Index Fund)	22,829,432	22,969,097
Nicgf2 - Nic Asia Growth Fund 2	22,993,701	19,613,320
Nlg Insurance Company Ltd.	18,964,898	25,037,012
Nmb 50	15,476,310	14,511,600
Nmb Sulav Investment Fund-2	68,034,756	67,864,807
Prabhu Capital Ltd.	1,500,000	2,041,875
Prabhu Select Fund	62,102,050	63,819,614
Prabhu Smart Fund (Prvusf)	67,401,464	67,805,688
Rasuwadahi Hydropower Company Limited	25,279,284	30,274,318
Rbb Mutual Fund	58,371,840	52,504,759
Rbb Mutual Fund 1	40,022,301	38,801,016
Reliable Private Equity Fund	25,000,000	25,000,000
RNLI - Reliable Nepal Life Insurance Limited	26,178,095	28,325,341
Sanima Equity Fund	71,795,904	80,410,656
Sanima Growth Fund	33,815,909	31,072,872
Sanima Large Cap Fund	17,677,704	17,462,073
Sanima Mai Hydropower Ltd.	11,386,602	16,561,409
Sanima Reliance Life Insurance Limited	15,363,290	16,272,174
Sanjen Jalavidhyut Company Limited	916,797	943,135
Shivam Cements Ltd	2,714,637	2,758,302
Siddhartha Equity Fund	74,239,404	73,770,233
Siddhartha Investment Growth Scheme-2	46,487,437	45,942,680
Siddhartha Investment Growth Scheme-3	78,026,490	75,320,500
Soaltee Hotel Ltd.	13,606,714	13,615,064
Sun Nepal Life Insurance Company Ltd.	24,426,055	33,442,128
Sunrise Blue Chip Fund	38,971,783	39,147,882
Sunrise First Mutual Fund	39,118,495	38,559,629
Sunrise Focused Equity Fund	35,173,447	32,660,346
Suryajyoti Life Insurance Company Ltd.	2,738,021	4,405,812
Suryajyoti Life Insurance Company Ltd. Promoter	1,854,506	3,827,531
Grand Total	2,053,627,907	2,436,605,573

Investment in Associates	Amount(Rs.)
Mero Microfinance Laghubitta Bittiya Sanstha Ltd	37,023,000.00
Swabhimaan Laghubitta Bittiya Sanstha Ltd.	9,000,000.00
Grand Total	46,023,000.00

17. Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities:

Prime Commercial Bank has adopted a risk management framework for the management of the risks in the Bank. The Bank's policies and procedures and Standing Operating Procedures (SOPs) endorsed by the Risk Management Committee (RMC) and approved by the Board of Directors guide the risk management practices in the Bank. Policies, guidelines and Standing Operating Procedures (SOPs) help identify, measure, and manage/mitigate risks across various business functions of the Bank.

The Bank uses the Internal Capital Adequacy Assessment Process (ICAAP) and Risk Management Guidelines to ensure a sound capital position and business sustainability. The Bank has always considered ICAAP and has taken steps accordingly to ensure the soundness of capital position and sustainability of the business.

The Bank has established Board of Directors (BOD) level committees, including the Risk Management Committee, the Audit Committee, and the Anti-Money Laundering Committee, to review the Bank's business activities and associated risks in a timely manner. Overall risk of the bank is monitored by risk management committee, audit committee and Anti-Money Laundering committee. To ensure sound capital assessment process, Board of Directors, Risk Management committee, Audit Committee, Risk Management and Internal Audit Department frequently monitor and review quality and effectiveness of the control and mitigate risk to protect the assets of bank regularly.

Stress tests and scenario analysis are conducted to align risk, return, and capital in a healthy way.

Before taking any business decision in the Bank; the principles of risk, return and capital charge are taken into account. Economic scenario of the country and the world at large are also taken into account. Systemic risk and black swan events like COVID are also considered as far as possible. The risk appetite and risk tolerance limits are set to align the business with the risk, return and capital.

Basel disclosures have been complied with, addressing the risks and adopting measures to minimize their impact. Increasing complexities in risks, vulnerabilities of businesses, and fast- changing world with intense competition pose a threat to the Bank's business. The Bank, to address the varieties of risk that keep coming out of business operations, has identified different risks and adopted different measures to minimize them.

Capital planning is an integral part of the Bank's strategic planning and annual budget formulation process. Total risk weighted exposures for the projected business operations is calculated and the required capital level is projected, and a plan is formulated to retain the required capital.

Prime Commercial Bank has always been a capital rich bank ever since its establishment. Bank has always complied with the requirement of the capital set by the NRB. As the Bank was able to generate profit from its first year of operation, bank's reserve is also ever increasing to address the need of capital to support the growing business of the Bank. Prime Commercial Bank is adequately capitalized and has always been able to maintain the required capital and the Bank is able to generate capital through retention of profit or through the capital market in the future. As the Bank's Core Capital is amongst the strongest in the industry, the Bank can raise tier 2 capital through the issuance of debentures.

Risk Management Framework

Risk Management Structure has been structured in line the Risk Management Guidelines 2018 and NRB Directives.

The components of Risk Management Structure of PCBL are as follows;

Board of Directors: Board of Directors of the Bank is supreme of the risk management structure of the bank and is responsible for the risks taken by the Bank. The Board of Directors defines the risk appetite and risk tolerance, and set risk strategies of the Bank. The Board of Directors sets the strategies and the senior management is responsible for implementing those strategies and communicating them throughout the organization. The Board of Directors undertakes necessary measures to ensure that management is taking necessary steps to implement those strategies and manage accompanying risks.

Risk Management Committee: Risk Management Committee is the supreme committee headed by the Board of Directors which looks after the overall risk management in the Bank. Risk Management Committee is constituted by two Board of Directors and Head of Operations and Chief Risk Officer (CRO). Chief Risk Officer (CRO) is the member secretary of the committee.

Senior Management: While the overall responsibility for risk management is recognized to rest with the Board of Directors, it is the duty of senior management to transform the strategies into operational policies, procedures, and processes for effective risk management. The senior management should be fully aware of the activities undertaken by the institution that could expose it to various risks. It should possess necessary knowledge and skills to be able to align the risk levels with the board's strategies through risk assessment and treatment. Top management should be aware of the financial institution's risk profile on an ongoing basis and should regularly report it to the board or a board level committee for review.

Asset Liability Committee (ALCO): ALCO committee is the management level committee headed by the Chief Executive Officer (CEO). Members of the committee include the top executives of the Bank, Head of Credit, Head of Treasury and Head of Operations. Head of Treasury is the member secretary of the committee. Major role of the ALCO committee is Liquidity Management, FOREX Management, Assets and Liabilities Management and Revise Interest Rates.

Risk Management Department: The Bank has an independent Risk Management Department which is responsible for the overall risk management in the Bank. Risk Management Department is headed by Chief Risk Officer (CRO). There are various units under the risk management department that looks after each key risk areas.

The units under Risk Management Department (RMD) are:

- Credit Risk Management Unit (CRMU)
- Operational Risk Management Unit (ORMU)
- Credit Risk Inspection Unit (CRIU)
- Market/Liquidity Risk Management Unit (MRMU)

The main functions of the risk management department are developing risk policies and procedures, coordinating with business users to prepare functional specifications, preparing and forwarding risk report and assisting in the implementation of all aspects of the risk function.

The Risk Management Department is functionally and hierarchically independent from business and other operation functions. The officials who take and own risks are not given any responsibility for monitoring and evaluating the risks. The Chief Risk Officer (CRO) who has sufficient stature, authority and seniority leads the Risk Management Department. He has direct access to the Board of Directors and reports to the Risk Management Committee (RMC) under the Board.

The Risk Management Department has satisfactory number of personnel who possess the needed experience and qualifications, including market and product knowledge and command of risk discipline.

The RMD has developed various policies, procedures, limits and controls for the risk management of the Bank. Our policies are the foundation for effective risk management in the Bank. It helps in timely and continuous identification, assessment, measurement, monitoring, mitigation, and reporting of risks posed by the activities of the business line etc.

The Bank is continuously developing and improving our risk management framework in the Bank to enhance its effectiveness. Bank is working on making the framework comprehensive enough to capture all the material risks that our bank is exposed to.

Risk Culture

A sound and consistent risk culture throughout a bank is a key element of effective risk management. The executive level of the bank sets the tone for the desired risk culture in the Bank. Risk governance refers to the structure, rules, processes, and mechanisms by which decisions about risks are taken and implemented. The Board of Directors sets the strategies and the senior management is responsible for implementing those strategies and communicating them throughout the Bank. Risk governance follows the three lines of defense model.

Risk Appetite and Risk Tolerance

Bank has developed the Risk Appetite Statement of the Bank where Risk Appetite and Risk Tolerance Limits has been set for Credit Risk and it is in the process of revision to accommodate the Risk Appetite and Risk Tolerance Limits for Operational Risk and Market & Liquidity Risk. Risk appetite is set and approved by the Board and is reviewed on an ongoing basis to accommodate new risks and revisit already identified risks. Trigger levels are set in the risk appetite of the Bank and the tolerance levels are also set at the levels at the risks level the Bank is willing to accept.

Credit Risk Management

As the majority of the Bank's assets are in Loans and Advances, credit risk is the major risk for the Bank and addressing it properly is important to maintain the good health of the organization. In order to address the credit risk in the Bank, bank has Credit Policy Guidelines, Credit Manual, Valuation Manual, Credit Risk Management Policy, Credit Risk Rating Policy and Investment Policy in place.

The Bank has a separate Credit Risk Management Unit (CRMU) under the Risk Management Department for processing of corporate credit, consumer credit and branch credit files. Credit files above NPR 10.00 million and renewal files above NPR 100.00 million are reviewed by the Credit Risk Officers in the Credit Risk Management Unit and an independent report is prepared for each credit file. For credit files below NPR 10.00 million, Credit Risk Management Unit (CRMU) performs risk assessment and prepares a risk report on sampling basis.

Apart from analysis of individual credit files, the CRMU also conducts sectoral analysis and industry analysis from time to time keeping in mind the portfolio concentration of the Bank and developments in the external environment that may have impact on our portfolio. The results of such analysis are presented to the Risk Management Committee (RMC) and are further forwarded to the Board.

The Bank is in the process of Loan Management System (LMS) implementation, which will automate the loan approval and disbursement process in the Bank. With the implementation of the LMS, Bank's Credit Risk Management process will become robust and room for operational lapses in the approval and disbursement process shall be significantly minimized.

Credit Risk Inspection

The Bank has a separate unit under the Risk Management Department named Credit Risk Inspection Unit (CRIU) for post disbursal credit monitoring. As a part of credit monitoring, the staffs visit different branches and monitor the credit portfolio on reasonable standards. The unit does general screening of credit file where approved Credit Appraisal/Credit Memorandum are studied. Screening of Valuation report of Fixed Assets Collateral accepted as per Credit Appraisal/Credit Memorandum is carried out as per bank's valuation policy and any deviation if found is noted/reported. Screening of Security/Legal documents - mortgage deed, personal guarantee, legal consent is done and any lapses in these documents if found are noted/reported.

The unit does Fixed Assets Collateral inspection on sample basis. Various required documents of the collateral are also checked. During inspection condition of the collateral is assessed and current market value is also compared to the value considered while providing credit facilities. The unit does business site inspection of sampled credit files to assess the current asset status of the business as per working capital loan taken from the bank. Other documents like required insurance documents of stock/fixed asset collateral as per credit approval terms are also checked.

Operational Risk Management

Operational Risk arises out of inefficient processes, system and people inside and outside the Bank and other external factors. Prime Commercial Bank has Operational Risk Management Unit(ORMU) at Risk Management Department (RMD), which is mainly responsible for independent review of processes set up to control operational risk, and for measurement and reporting of the operational risk. Bank has implemented risk management architecture as well as policies and processes approved by the Board of Directors. The Bank in line with Basel Provisions calculates risk exposures and allocates sufficient capital/cushion for perceived operational risks.

Bank has Operational Risk Management policy in place, which describes the approach to Operational Risk Management within banks as part of enterprise-wide risk management and also to comply with the regulatory guidelines.

With the significant growth of the business volume, emerging digital challenges and regulatory requirement, the horizon of operational risk has been expanded. The increasing rate of financial fraud, cyber-attacks, process failures, system errors, human mistakes can have gruesome impact on the reputation, profitability and creditability of the Bank. Inappropriate management of operational risks can result in significant losses. Hence, it has been inevitable to manage the different risks existed in the Bank along with operational risk. For the proper management of the operational risk, there is a need of advance technology where risk events and its impact can be recorded and that can promptly generate required data for the risk assessment and reporting purpose. Hence, Prime Commercial Bank has acquired Operation Risk Management System(ORMS).

The ORMS has three modules and they are:

- Internal Loss Data Reporting (ILDR)
- Key Risk Indicators (KRI)
- Risk and Control Self-Assessment (RCSA)

Branch level risk officers are appointed in each branch and they are responsible for recording operational risk events in Internal Loss Data Reporting (ILDR) module of ORMS, providing data, information and report to prepare risk report as required by Risk Management Department; recording data for Key Risk Indicators on monthly basis and improving work culture and practices of the branches to mitigate the operational risk.

The Bank has an Executive Level Operational Risk Management Committee which was formed to mitigate the existed operational risks in the Bank. The meetings of the committee are conducted on regular interval, where the results of the branches obtained from KRI report, operational risk event taken place in the risk centers and ways to mitigate those risks are discussed.

Bank has introduced Robotic Process Automation (RPA) for monitoring issues of Operational Risk Management. RPA itself checks the errors and notifies concerned staff about the errors for the rectification.

Information and Technology risk in the Bank is being managed and controlled through various policies and guidelines. Besides, the Bank has an Information Security Officer (ISO) who looks after the IT related risk in the Bank. Bank also conducts an IS Audit of the Bank's system and suggestions are incorporated in the policies and practices of the Bank.

Bank has a dedicated department to look after the digital transaction and its operations of the Bank that includes transactions through card (debit/credit/ travel card/Prepaid Dollar Card/USD Credit Cards), M-banking, QR code, POS machine, Remittance, Settlement & Reconciliation etc. With the increase in the number of customers subscribing digital banking facility, the risk associated with digital banking services have also increased. The Bank must have robust and advanced system to monitor and tackle the emerging risks associated with digital channels before it reaches the risky zone. Hence, the department has been adopting various techniques and procedures to mitigate the risks evolved within the digital ecosystem.

Bank has a separate Compliance Department to oversee operational risk associated with AML/CFT. Bank has developed standard operating procedures (SOPs) and policies related Anti Money Laundering and

Combating Financing of Terrorism (CFT) as per the regulatory requirement. Compliance Department is managing Transaction Screening Service(TSS), which screens incoming and outgoing wire transfer messages against latest sanctions and instantly delivers the alert.

Compliance Department is using Online Accuity Software and Accuity database which is purchased on annual basis. Online Accuity Software is used for screening of all international beneficiaries for Trade financing and outward wire transfers which comprises of list of Global Politically Exposed Persons, Sanction list (UN, HMT, OFAC, EU), and Adverse Media News.

The Trust AML system has also integrated the list of blacklisted personnel from Credit Information Bureau, Nepal through API. All this information integrated together in Trust AML system is used to conduct screening during customer onboarding, customer ongoing due diligence, customer's transaction monitoring, quarterly batch screening and as per the necessity. The screening mechanism keeps information trail of existing customer and helps to detect and control the duplication of KYC.

Further, AML Implementation Committee is another committee composed of Compliance Head, IT Head and Central Operations Head as well as respective staffs from the corresponding department which is formed in order to ensure coordination for the assignment related to update of KYC, data cleansing, CBS updates and so on.

Market Risk Management

The Bank has a separate 'Market/Liquidity Risk Management Unit (MRMU)' headed by a Market Risk Officer within the Risk Management Department. This unit oversees market, interest rate, and liquidity risks in the Bank. The Market Risk Officer reports to the Chief Risk Officer (CRO).

The Treasury Middle Office (TMO) operates independently from the Treasury Department. The Risk Officer at the Treasury Middle Office is responsible for monitoring, measuring, and analyzing risks related to treasury management and functions. This position reports to the MRMU and is reviewed by the CRO.

The Bank has Standard Operating Procedure on Market and Liquidity Risk Management Unit to ensure consistency of operations and smooth performance of the MRMU, as well as to establish effective internal controls for monitoring market and liquidity risks at regular intervals.

Market Risks are also discussed at the Asset Liability Management Committee (ALCO) of the Bank. The Assets and Liabilities Committee (ALCO) is responsible for the management of capital and liquidity, and establishment of, and compliance with, policies relating to balance sheet management, including management of liquidity, capital adequacy and structural foreign exchange and interest rate exposure.