

PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL III as at 2082.06.31

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	6,532,215,614
Proposed Bonus Equity Shares	-
Share Premium	-
Retained Earnings	2,786,894,343
Un-audited current year cumulative profit	257,715,166
Capital Redemption Reserve	-
Other Free Reserve	-
Less: Fictitious Assets	-
Less: Intangible Assets	(28,217,444)
Less: Deferred Tax Assets	-
Less: Investment in equity in licensed Financial Institutions	(46,023,000)
Less: Other Deductions	(50,000,000)
Total Core Capital (Tier I)	28,855,160,394

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

Supplementary Capital (Tier 2)	Amount (Rs.)
Subordinated Term Debt	-
General loan loss provision	3,218,546,485
Exchange Equalisation Reserve	5,313,918
Investment Adjustment Reserve	6,500,000
Accrued Interest Receivable on pass loan included in Regulatory Reserve	547,599,091
Regulatory reserve for non-banking assets recorded within the last 24 months.	1,740,252,315
Interest Capitalized Reserve included in Regulatory Reserve	106,663,778
Total Supplementary Capital (Tier II)	5,624,875,586

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	28,217,444
Deferred Tax Assets	-
Investment in equity in licensed Financial Institutions	46,023,000
Other deductions	50,000,000
Total Deduction from Tier I Capital	124,240,444

5. Total Qualifying Capital:

Total Qualifying Capital	Amount
Core Capital (Tier 1)	28,855,160,394
Supplementary Capital (Tier 2)	5,624,875,586
Total qualifying capital	34,480,035,980

6. Capital Adequacy Ratio:

Capital Adequacy Ratio	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	10.18%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	12.17%

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

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	257,483,718,783
Risk weighted Exposures for Operational Risk	14,224,613,381
Risk weighted exposures for Market Risk	286,042,026
Total Risk Weighted Exposures (Before adjustments of Pillar II)	271,994,374,190
Adjustment under Pillar II	
Adjustment as per SRP 6.4a (5)	-
Adjustment as per SRP 6.4a (6)	-
Adjustment as per SRP 6.4a (7)	3,246,129,900
Adjustment as per SRP 6.4a (9)	8,159,831,226
Adjustment as per SRP 6.4a (10)	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	283,400,335,316

8. Risk weighted exposure under each of 16 categories

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	66,010,916,938	-
Claims on Other Financial Entities	-	-
Claims on Banks	25,218,798,751	6,469,477,222
Claims on Corporate and Securities Firm	107,507,114,939	107,034,588,787
Claims on Regulatory Retail Portfolio	38,032,086,182	22,422,939,262
Claims on Secured by Residential Properties	9,605,153,184	5,847,632,632
Claims on Secured by Commercial Real Estate	16,350,486,065	16,350,486,065
Past due Claims	20,399,515,335	18,434,033,986
High Risk Claims	11,965,180,054	17,708,435,325
Real Estate loans for land acquisition and development (Other than mentioned in Capital Adequacy framework 2015-point 3.3(j)(1)(k))	3,310,435,324	4,138,044,155
Lending against Shares	9,765,600,552	9,765,600,552
Trust Receipt Loans for Trading Firms	509,612,996	611,535,595
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)	688,408,996	688,408,996
Personal Hirepurchase/Personal Auto Loans	232,862,735	232,862,735
Other Assets	19,737,534,132	6,753,319,649
Off Balance Sheet Items	96,269,176,242	41,026,353,823
Adjustment under Pillar II	-	-
Total	425,602,882,425	257,483,718,783

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	3,739,716,144	-	-	3,739,716,144	0%	-
Balance With Nepal Rastra Bank	13,697,779,887	-	-	13,697,779,887	0%	-
Gold	-	-	-	-	0%	-
Investment in Nepalese Government Securities	48,167,036,000	-	-	48,167,036,000	0%	-
All Claims on Government of Nepal	406,384,907	-	-	406,384,907	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	12,093,774,419	-	-	12,093,774,419	20%	2,418,754,884
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)	4,165,933,614	-	-	4,165,933,614	20%	833,186,723
Claims on foreign bank (ECA Rating 2)	4,784,541,228	-	-	4,784,541,228	50%	2,392,270,614
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	4,126,325,006	-	-	4,126,325,006	20%	825,265,001
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)	35,322,394,690	-	-	35,322,394,690	100%	35,322,394,690
Claims on Domestic Corporates (Unrated)	72,184,720,248	73,010,000	399,516,152	71,712,194,097	100%	71,712,194,097
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)	38,032,086,182	-	8,134,833,832	29,897,252,349	75%	22,422,939,262
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	8,691,119,209	-	-	8,691,119,209	60%	5,214,671,525
Claims not fully secured by residential properties	-	-	-	-	150%	-

Claims secured by residential properties (Overdue)	914,033,975	281,072,869	-	632,961,106	100%	632,961,106
Claims secured by Commercial real estate	16,350,486,065	-	-	16,350,486,065	100%	16,350,486,065
Past due claims (except for claims secured by residential properties)	20,399,515,335	8,110,159,345	-	12,289,355,991	150%	18,434,033,986
High Risk claims	11,965,180,054	-	159,556,504	11,805,623,550	150%	17,708,435,325
Real Estate loans for land acquisition and development (Other than mentioned in Capital Adequacy framework 2015-point 3.3(j)(1)(k))	3,310,435,324	-	-	3,310,435,324	125%	4,138,044,155
Lending against securities (bonds)	-	-	-	-	100%	-
Lending against Shares	9,765,600,552	-	-	9,765,600,552	100%	9,765,600,552
Trust Receipt Loans for Trading Firms	509,612,996	-	-	509,612,996	120%	611,535,595
Real Estate loans for land acquisition and development (For institutions/projects registered/licensed and approved by Government of Nepal for land acquisition and development purposes)	688,408,996	-	-	688,408,996	100%	688,408,996
Personal Hirepurchase/Personal Auto Loans	232,862,735	-	-	232,862,735	100%	232,862,735
Investments in equity and other capital instruments of institutions listed in stock exchange	2,873,535,671	-	-	2,873,535,671	100%	2,873,535,671
Investments in equity and other capital instruments of institutions not listed in the stock exchange	97,286,826	-	-	97,286,826	150%	145,930,239
Staff loan secured by residential property	1,357,438,210	-	-	1,357,438,210	50%	678,719,105
Interest Receivable/claim on government securities	631,203,436	631,203,436	-	-	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)	14,777,965,140	11,722,851,476	-	3,055,113,664	100%	3,055,113,664
TOTAL	329,333,706,183	20,866,521,609	8,693,906,488	299,773,278,085		216,457,364,960

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	7,226,960,476	-	-	7,226,960,476	10%	722,696,048
LC Commitments With Original Maturity Upto 6 months domestic counterparty	12,191,730,329	-	389,998,936	11,801,731,393	20%	2,360,346,279
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	4,546,865,940	-	61,967,212	4,484,898,728	50%	2,242,449,364
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	43,007,888,021	-	1,874,129,469	41,133,758,552	40%	16,453,503,421
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%	-
Underwriting commitments	-	-	-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	20%	-

Advance Payment Guarantee	11,453,640,581	-	50,948,214	11,402,692,367	100%	11,402,692,367
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsements	80,368,688	-	-	80,368,688	100%	80,368,688
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (short term)	10,653,556,462	-	-	10,653,556,462	20%	2,130,711,292
Irrevocable Credit commitments (long term)	4,367,522,122	-	-	4,367,522,122	50%	2,183,761,061
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-
Other Contingent Liabilities	2,008,411,294	-	23,050,650	1,985,360,644	100%	1,985,360,644
Unpaid Guarantee Claims	732,232,330	-	-	732,232,330	200%	1,464,464,659
Total	96,269,176,242	-	2,400,094,481	93,869,081,761		41,026,353,823
Total RWE for credit risk Before Adjustment (A)+(B)	425,602,882,425	20,866,521,609	11,094,000,970	393,642,359,846		257,483,718,783
<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)	425,602,882,425	20,866,521,609	11,094,000,970	393,642,359,846		257,483,718,783

ii. Risk Weighted Exposure of Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income	7,140,747,994	7,882,775,527	8,822,434,296
Commission and Discount Income	1,354,544,226	1,874,205,208	1,927,567,032
Other Operating Income	144,579,826	122,447,010	397,512,852
Exchange Fluctuation Income	148,668,167	150,120,496	240,255,719
Additional Interest Suspense during the period	293,319,426	282,077,825	516,023,563
Gross Income (a)	9,081,859,639	10,311,626,066	11,903,793,461
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a*b)]	1,362,278,946	1,546,743,910	1,785,569,019
Capital Requirement for operational risk (d) (average of c)			1,564,863,958
Risk Weight (reciprocal of capital requirement of 11%) in times (e)			9.09
Equivalent Risk Weight Exposure[f=(d*e)]			14,224,613,381
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]			14,224,613,381

iii. Risk Weighted Exposure of Market Risk

Currency	Open Position (FCY)	Exchange Rate	Open Position (NPR)	Relevant Open Position
INR	370,167,279	1.60	592,267,647	592,267,647
USD	(84,904)	140.25	(11,907,793)	11,907,793
GBP	37,752	188.26	7,107,246	7,107,246
EUR	(1,278)	163.87	(209,504)	209,504
THB	7,404	4.31	31,912	31,912
CHF	3,997	176.68	706,191	706,191
AUD	41,037	90.60	3,717,988	3,717,988
CAD	10,191	99.37	1,012,725	1,012,725
SGD	3,403	107.88	367,070	367,070
JPY	2,363,864	0.93	2,205,249	2,205,249
HKD	22,848	17.96	410,343	410,343
DKK	-	21.87	-	-
SEK	5,775	14.81	85,531	85,531
SAR	47,397	37.20	1,763,166	1,763,166
QAR	38,871	38.36	1,491,109	1,491,109
AED	37,884	37.99	1,439,200	1,439,200
MYR	30,909	32.98	1,019,386	1,019,386
KRW	240,094	0.10	23,601	23,601
CNY	109,666	19.66	2,156,024	2,156,024
KWD	2,084	456.59	951,313	951,313
BHD	888	370	328,698	328,698
OMR	423	363	153,697	153,697
Total Open Position (a)			605,120,798	629,355,393
Fixed Percentage (b)			-	5%
Capital Charge for Market Risk [c=(a*b)]				31,467,770
Risk Weight (reciprocal of capital requirement of 11%) in times (d)				9.09
Equivalent Risk Weight Exposure [e=(c*d)]				286,042,026

10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	-	-
Sub-Standard Loan	4,481,829,461	3,361,372,096
Doubtful Loan	3,537,871,909	1,768,935,955
Loss Loan	5,386,838,894	-

11. NPA ratios

Gross NPA to Gross Loan & Advance	5.86%
Net NPA to Net Loan & Advances	2.37%

12. Movement of Non-Performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Restructure/Reschedule	-	-	-
Sub-standard Loan	3,895,922,704	4,481,829,461	585,906,757
Doubtful Loan	3,039,535,863	3,537,871,909	498,336,046
Loss Loan	5,569,892,864	5,386,838,894	(183,053,970)

13. Write off of loans and interest suspense

Particulars	Opening Balance	Closing Balance	Difference
Principal	621,290,984	277,699,583	(343,591,401)
Interest	167,817,496	44,926,677	(122,890,819)

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

Particulars	Opening Balance	Closing Balance	% Change
Pass Loan	1,835,030,938	1,776,058,771	-3.21%
Watch list	1,446,985,528	1,882,061,640	30.07%
Restructure/Reschedule	-	-	0.00%
Sub-standard Loan	973,980,676	1,120,457,365	15.04%
Doubtful Loan	1,519,767,932	1,768,935,955	16.40%
Loss Loan	5,569,892,864	5,386,838,894	-3.29%
Additional provision	295,722,970	188,010,000	-36.42%

ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	1,373,995,019	1,374,092,577	0.01%

15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	1,835,030,938	1,776,058,771	(58,972,166)
Watch List	1,446,985,528	1,882,061,640	435,076,113
Restructure/Reschedule	-	-	-
Sub-standard Loan	973,980,676	1,120,457,365	146,476,689
Doubtful Loan	1,519,767,932	1,768,935,955	249,168,023
Loss Loan	5,569,892,864	5,386,838,894	(183,053,970)
Additional provision	295,722,970	188,010,000	(107,712,970)

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>	48,167,036,000
<i>Debenture</i>	1,588,941,000
Grand Total	49,755,977,000

Available for Sale -Investment in Equity measured at FVTOCI

Particulars	Amount(Rs.)	Fair Value (Rs.)
Annapurna Developers Ltd.	2,000,000	2,000,000
Api Power Company Ltd.	12,472,372	12,157,379
Asian Life Insurance Co. Limited	8,041,271	7,538,944
Banking,Finance & Insurance Institute Of Nepal Ltd.	3,000,000	5,253,011
Cedb Hydropower Development Company Limited	32,437,180	36,450,690
Chilime Hydro Power Company Ltd.	33,783,269	34,762,816
Citizen Investment Trust	10,152,011	9,673,776
Citizens Mutual Fund 2	23,970,546	22,082,866
Citizens Super 30 Mutual Fund	80,306,978	72,135,713
Garima Samriddhi Yojana	27,961,352	25,085,430
Global Ime Balanced Fund - 1	60,977,192	60,858,647
Global IME Samunnat Yojana -II	40,000,000	36,400,000
Himalayan 80-20 (Hbl8020)	58,138,882	61,092,064
Himalayan Reinsurance Limited	20,320,723	17,586,300
Hydorelectricity Investment And Development Company Ltd.	76,998,994	88,794,605
Karja Suchana Kendra Ltd.	94,500	1,181,300
Kumari Dhanabridhi Yojana	50,695,063	45,163,484
Kumari Equity Fund	56,596,870	53,708,677
Kumari Sabal Yojana	59,045,957	52,591,792
Laxmi Unnati Kosh	27,524,335	24,311,697
Laxmi Value Fund II (Lv2)	77,828,420	70,756,158
Life Insurance Corporation (Nepal) Limited	-	795
Matribhumi Lagubitta Sanstha Limited Promoter Share	18,770,000	38,221,829
MBL Equity Fund	51,777,792	47,104,138
Mega Mutual Fund 1	48,229,910	47,094,570
Mountain Energy Nepal Limited	33,554,565	32,353,671
Muktinath Mutual Fund 1	11,251,017	10,028,698
Nabil Balance Fund-3	68,423,606	64,921,198
Nabil Balance Fund-2	65,105,287	61,177,636
Nabil Flexi Cap Fund	30,000,000	29,460,000
National Banking Institute Ltd.	3,000,000	3,162,752
National Life Insurance Co. Ltd.	20,509,229	19,480,334
National Microfinance Laghubitta Bittiya Sanstha Ltd. Promoter	14,000,000	61,386,220
Nepal Clearing House Ltd.	19,089,300	83,647,888

Nepal Doorsanchar Co.Ltd (Ntc)	85,866,112	85,645,708
Nepal Insurance Co. Ltd.	20,543,448	15,888,691
Nerude Mirmire Lagubitta Bittiya Sanstha Ltd.	10,861,843	145,505,290
Nibl Growth Fund	72,059,178	62,714,011
Nibl Samriddhi Fund -2	36,600,038	34,636,955
Nibl Stable Fund	36,048,847	32,698,939
Nic Asia Balance Fund	55,337,969	52,729,454
Nic Asia Dynamic Debt Fund	6,648,300	6,269,347
Nic Asia Flexi Cap Fund	31,698,428	27,720,425
Nic Asia Select - 30 (Index Fund)	32,711,369	30,331,025
Nicgf2 - Nic Asia Growth Fund 2	25,420,153	22,038,721
Nlg Insurance Company Ltd.	43,415,503	42,652,218
Nmb 50	21,807,881	20,997,679
NMB Hybrid Fund L-II	51,083,946	46,024,903
Nmb Sulav Investment Fund-2	82,790,320	82,192,253
Prabhu Capital Ltd.	1,500,000	2,041,875
Prabhu Select Fund	68,693,127	74,579,000
Prabhu Smart Fund (Prvusf)	82,898,823	84,945,068
Prabhu Systematic Investment Scheme	20,000,000	19,460,000
Radhi Bidyut Company Ltd	15,775,081	22,628,965
Rasuwegadhi Hydropower Company Limited	36,500,419	25,433,133
Rbb Mutual Fund	69,006,473	60,543,394
Rbb Mutual Fund 1	53,238,990	52,300,933
Reliable Private Equity Fund	50,000,000	50,000,000
Reliable Samriddhi Yojana	40,191,548	35,672,087
RNLI - Reliable Nepal Life Insurance Limited	11,810,696	12,260,320
Sanima Growth Fund	47,169,447	43,498,921
Sanima Large Cap Fund	24,234,050	22,893,123
Sanima Mai Hydropower Ltd.	36,097,940	37,011,026
Sanima Reliance Life Insurance Limited	19,312,525	18,176,886
Sanjen Jalavidhyut Company Limited	28,477,986	22,681,412
Sarbottam Cement Limited	26,305,190	24,411,712
Shivam Cements Ltd	25,391,208	26,459,754
Siddhartha Equity Fund	74,239,404	70,510,089
Siddhartha Investment Growth Scheme-2	50,019,689	47,293,733
Siddhartha Investment Growth Scheme-3	78,026,490	72,991,000
Siddhartha Premier Insurance Limited	13,047,479	10,804,525
Soaltee Hotel Ltd.	36,128,707	34,683,805
Sun Nepal Life Insurance Company Ltd.	20,362,282	22,996,508
Sunrise Blue Chip Fund	58,875,132	56,632,258
Sunrise First Mutual Fund	43,864,421	41,405,372
Sunrise Focused Equity Fund	78,666,580	71,753,931
Suryajyoti Life Insurance Company Ltd.	6,740,600	7,701,661
Suryajyoti Life Insurance Company Ltd. Promoter	1,854,506	3,381,314
Grand Total	2,877,378,751	3,020,822,497

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, 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 SOPs help to 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 the 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 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. These committees regularly monitor the overall risk of the Bank. To ensure a sound capital assessment process, the Board of Directors, Risk Management Committee, Audit Committee, Risk Management Department, and Internal Audit Department frequently monitor and review the quality and effectiveness of controls. This allows them to mitigate risks and protect the Bank's assets. Stress testing and scenario analysis are also 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; and systematic risk are also taken into account. 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.

The Bank has always been a capital rich bank ever since its establishment. The Bank has always complied with the requirements of the capital set by the NRB. As the Bank was able to generate profit from its first year of operation, the Bank's reserve is adequate to address the capital needs to support its growing business.

The Bank 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 the bank 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 (RMC) is the supreme committee headed by the Board of Directors which looks after the overall risk management in the Bank. The RMC is constituted by two Board of Directors, Head of Central Operations and Chief Risk Officer (CRO).

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): The ALCO is a management-level committee headed by the Chief Executive Officer (CEO). Members of the committee include the General Manager, Deputy General Manager, Acting DGM – Corporate Credit & Project Finance, Acting DGM – Business Development, and Head of Treasury. The Head of Treasury is the member secretary of the committee. The scope of ALCO shall address liquidity risk, foreign exchange risk, interest rate risk, equity risk of the Bank.

Risk Management Department: The Bank has an independent Risk Management Department which is responsible for the overall risk management in the Bank. The 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 RMD 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 RMD 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 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 RMC under the Board.

The RMD 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. The Bank is continuously developing and improving our risk management framework in the Bank to enhance its effectiveness.

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

Risk appetite describes the absolute risks the Bank is a priori willing to take. A Risk Appetite Statement (RAS) plays an important role in cascading the risk strategy throughout the Bank. The bank has developed RAS for credit risk, operational risk and market risk and setting risk limits related to each risk category. 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 Bank's risk appetite, and tolerance levels are also established at the level of risk 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, it has Credit Policy Guidelines, Credit Manual, Valuation Manual, Credit Risk Management Policy, Credit Risk Rating Policy, Credit Risk Scoring Policy and Investment Policy in place.

The CRMU under the RMD is responsible for processing of corporate credit, consumer credit, SME 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 CRMU and an independent report is prepared for each credit file. For credit files below NPR 10.00 million, the 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 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 CRIU under the RMD is responsible for post disbursement 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. The Bank has ORMU at the 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. The 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.

The 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, the 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.

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

The Bank has a dedicated department; Digital Banking 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.

The Bank has separate Compliance Department to oversee operational risk associated compliance of KYC and AML/CFT; which regularly monitors AML/CFT issues. The bank maintains a compliance program designed to identify, assess, measure and report on such risks through combination of policy and relevant systems and controls. The Bank has developed SOPs and policies related AML/CFT as per the regulatory requirement. This Department is managing Transaction Screening Service (TSS) which screens all incoming and outgoing wire transfer messages against UN/EU/HMT/OFAC sanction lists and instantly delivers the alert. TSS is a centralized Swift service that screens MT messages sent and received over the Swift network.

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 ALCO of the Bank. The 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.