PRIME COMMERCIAL BANK LIMITED

Disclosures under BASEL III as at 2082.03.32

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	6,280,529,599
Proposed Bonus Equity Shares	-
Share Premium	-
Retained Earnings	25,210,661
Un-audited current year cumulative profit	2,755,608,560
Capital Redemption Reserve	-
Other Free Reserve	-
Less: Fictitious Assets	-
Less: Intangible Assets	(26,115,707)
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)	**28,341,785,829**

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

Supplementary Capital (Tier 2)	Amount (Rs.)
Subordinated Term Debt	-
General loan loss provision	3,119,150,798
Exchange Equalisation Reserve	5,313,918
Investment Adjusment Reserve	6,500,000
Accrued Interest Receivable on pass loan included in Regulatory Reserve	450,646,212
Interest Capitalized Reserve included in Regulatory Reserve	106,663,778
Total Supplementary Capital (Tier II)	**3,688,274,705**

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	26,115,707
Deferred Tax Assets	-
Investment in equity in licensed Financial Institutions	46,023,000
Other deductions	50,000,000
Total Deduction from Tier I Capital	**122,138,707**

5. Total Qualifying Capital:

Total Qualifying Capital	Amount
Core Capital (Tier 1)	28,341,785,829
Supplementary Capital (Tier 2)	3,688,274,705
Total qualifying capital	**32,030,060,534**

6. Capital Adequacy Ratio:

Capital Adequacy Ratio	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	10.39%
Tier 1 & Tier 2 Capital to Total Risk Weighted Exposures	11.74%

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

Risk Weighted Exposures	Amount
Risk weighted Exposures for Credit Risk	249,532,063,844
Risk weighted Exposures for Operational Risk	12,386,178,878
Risk weighted exposures for Market Risk	181,153,210
Total Risk Weighted Exposures (Before adjustments of Pillar II)	**262,099,395,931**
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)	2,811,991,500
Adjustment as per SRP 6.4a (9)	7,862,981,878
Adjustment as per SRP 6.4a (10)	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	**272,774,369,309**

8. Risk weighted exposure under each of 16 categories

Credit Risk	Claim	RWE
Claims on Govt. and Central Bank	71,744,194,535	-
Claims on Other Financial Entities	-	-
Claims on Banks	28,020,544,951	6,925,363,120
Claims on Corporate and Securities Firm	103,335,045,872	102,980,644,197
Claims on Regulatory Retail Portfolio	38,743,703,685	22,709,032,360
Claims on Secured by Residential Properties	9,246,466,365	5,666,350,335
Claims on Secured by Commercial Real Estate	17,288,144,052	17,288,144,052
Past due Claims	19,162,316,625	16,622,429,377
High Risk Claims	11,253,298,700	16,668,506,563
Real Estate loans for land acquisition and development (Other than mentioned in Capital Adequacy framework 2015-point 3.3(j)(1)(k))	2,889,009,479	3,603,486,848
Lending against Shares(upto Rs.2.5 Million)	8,229,843,634	8,229,843,634
Trust Receipt Loans for Trading Firms	487,256,854	584,708,225
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)	689,629,752	689,629,752
Personal Hirepurchase/Personal Auto Loans (upto Rs. 2.5 Million)	239,098,067	239,098,067
Other Assets	18,173,400,684	6,308,869,130
Off Balance Sheet Items	**95,304,991,261**	**41,015,958,185**
Adjustment under Pillar II	**-**	**-**
Total	**424,806,944,515**	**249,532,063,844**

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	4,071,535,136	-	-	4,071,535,136	0%	-
Balance With Nepal Rastra Bank	11,566,076,033	-	-	11,566,076,033	0%	-
Gold	-	-	-	-	0%	-
Investment in Nepalese Government Securities	47,167,036,000	-	-	47,167,036,000	0%	-
All Claims on Government of Nepal	938,232,297	-	-	938,232,297	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	8,001,315,069	-	-	8,001,315,069	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	15,066,053,283	-	-	15,066,053,283	20%	3,013,210,657
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)	4,124,331,339	-	-	4,124,331,339	20%	824,866,268
Claims on foreign bank (ECA Rating 2)	4,436,330,088	-	-	4,436,330,088	50%	2,218,165,044
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	4,345,605,758	-	-	4,345,605,758	20%	869,121,152
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)	34,265,719,956	11,500,000	-	34,254,219,956	100%	34,254,219,956
Claims on Domestic Corporates (Unrated)	69,069,325,916	80,715,079	262,186,596	68,726,424,240	100%	68,726,424,240
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)	38,743,703,685	-	8,464,993,872	30,278,709,813	75%	22,709,032,360
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	8,499,709,269	-	-	8,499,709,269	60%	5,099,825,561
Claims not fully secured by residential properties	-	-	-	-	150%	-

Claims secured by residential properties (Overdue)	746,757,096	180,232,322	-	566,524,774	100%	566,524,774
Claims secured by Commercial real estate	17,288,144,052	-	-	17,288,144,052	100%	17,288,144,052
Past due claims (except for claims secured by residential properties)	19,162,316,625	8,080,697,041	-	11,081,619,585	150%	16,622,429,377
High Risk claims	11,253,298,700	-	140,960,991	11,112,337,709	150%	16,668,506,563
Real Estate loans for land acquisition and development (Other than mentioned in Capital Adequacy framework 2015-point 3.3(j)(1)(k))	2,889,009,479	6,220,000	-	2,882,789,479	125%	3,603,486,848
Lending against securities (bonds)	-	-	-	-	100%	-
Lending against Shares	8,229,843,634	-	-	8,229,843,634	100%	8,229,843,634
Trust Receipt Loans for Trading Firms	487,256,854	-	-	487,256,854	120%	584,708,225
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)	689,629,752	-	-	689,629,752	100%	689,629,752
Personal Hirepurchase/Personal Auto Loans	239,098,067	-	-	239,098,067	100%	239,098,067
Investments in equity and other capital instruments of institutions listed in stock exchange	2,740,999,147	-	-	2,740,999,147	100%	2,740,999,147
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	1,322,278,262	-	-	1,322,278,262	**50%**	661,139,131
Interest Receivable/claim on government securities	693,209,156	693,209,156	-	-	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)	13,319,522,444	10,558,742,800	-	2,760,779,644	100%	2,760,779,644
TOTAL	**329,501,953,254**	**19,659,540,883**	**8,868,141,459**	**300,974,270,912**		**208,516,105,659**

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	5,483,667,747	-	-	5,483,667,747	10%	548,366,775
LC Commitments With Original Maturity Upto 6 months domestic counterparty	11,391,389,599	-	388,651,747	11,002,737,852	20%	2,200,547,570
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	4,068,485,154	-	56,672,212	4,011,812,942	50%	2,005,906,471
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	43,239,476,707	-	1,791,689,469	41,447,787,238	40%	16,579,114,895
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	3,000,000,000	-	-	3,000,000,000	100%	600,000,000

Advance Payment Guarantee	11,863,434,801	-	94,633,344	11,768,801,457	100%	11,768,801,457
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsements	73,066,644	-	-	73,066,644	100%	73,066,644
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (short term)	9,977,174,602	-	-	9,977,174,602	20%	1,995,434,920
Irrevocable Credit commitments (long term)	3,328,014,262	-	-	3,328,014,262	50%	1,664,007,131
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-
Other Contingent Liabilities	2,158,976,520	-	20,874,650	2,138,101,870	100%	2,138,101,870
Unpaid Guarantee Claims	721,305,226	-	-	721,305,226	200%	1,442,610,451
Total	**95,304,991,261**	**-**	**2,352,521,421**	**92,952,469,840**		**41,015,958,185**
Total RWE for credit risk Before Adjustment (A)+(B)	**424,806,944,515**	**19,659,540,883**	**11,220,662,880**	**393,926,740,753**		**249,532,063,844**
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)	**424,806,944,515**	**19,659,540,883**	**11,220,662,880**	**393,926,740,753**		**249,532,063,844**

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	203,116,665	1.60	324,986,665	324,986,665
USD	364,531	137.20	50,013,687	50,013,687
GBP	22,145	183.57	4,065,183	4,065,183
EUR	20,555	159.04	3,269,130	3,269,130
THB	31,890	4.22	134,578	134,578
CHF	5,034	170.41	857,762	857,762
AUD	24,474	89.17	2,182,343	2,182,343
CAD	7,360	99.53	732,500	732,500
SGD	3,226	106.22	342,630	342,630
JPY	2,587,349	0.92	2,380,879	2,380,879
HKD	19,067	17.39	331,581	331,581
DKK	-	21.25	-	-
SEK	5,777	14.03	81,046	81,046
SAR	70,564	36.39	2,567,814	2,567,814
QAR	26,062	37.46	976,285	976,285
AED	54,915	37.15	2,040,085	2,040,085
MYR	39,421	32.11	1,265,820	1,265,820
KRW	366,668	0.10	36,117	36,117
CNY	70,461	19.06	1,342,991	1,342,991
KWD	1,470	446.29	656,029	656,029
BHD	795	362	287,726	287,726
OMR	73	355	26,071	26,071
Total Open Position (a)			**398,576,919**	**398,576,919**
Fixed Percentage (b)			-	5%
Capital Charge for Market Risk [c=(a*b)]				19,928,846
Risk Weight (reciprocal of capital requirement of 11%) in times (d)				9.09
Equivalent Risk Weight Exposure [e=(c*d)]				**181,153,210**

10. Amount of NPAs

Classification of Loan	Gross NPA	Net NPA
Restructured/Rescheduled Loan	-	-
Sub-Standard Loan	3,895,922,704	2,921,942,028
Doubtful Loan	3,039,535,863	1,519,767,932
Loss Loan	5,569,892,864	-

11. NPA ratios

Gross NPA to Gross Loan & Advance	5.56%
Net NPA to Net Loan & Advances	2.08%

12. Movement of Non-Performing Assets

Particulars	Opening Balance	Closing Balance	Difference
Restructure/Reschedule	-	-	-
Sub-standard Loan	3,017,606,608	3,895,922,704	878,316,096
Doubtful Loan	5,188,783,431	3,039,535,863	(2,149,247,568)
Loss Loan	4,255,052,399	5,569,892,864	1,314,840,465

13. Write off of loans and interest suspense

Particulars	Opening Balance	Closing Balance	Difference
Principal	526,008,279	621,290,984	95,282,705
Interest	94,638,365	167,817,496	73,179,131

14. Movements in loan loss provisions and Interest suspense

i. Movement of Loan Loss Provision

Particulars	Opening Balance	Closing Balance	% Change
Pass Loan	1,770,974,892	1,835,030,938	3.62%
Watch list	1,559,518,950	1,446,985,528	-7.22%
Restructure/Reschedule	0	-	0.00%
Sub-standard Loan	754,401,652	973,980,676	29.11%
Doubtful Loan	2,594,391,715	1,519,767,932	-41.42%
Loss Loan	4,255,052,399	5,569,892,864	30.90%
Additional provision	1,619,134,074	295,722,970	-81.74%

ii. Movement of Interest Suspense

Particulars	Opening Balance	Closing Balance	% Change
Interest Suspense	1,229,461,131	1,373,995,019	11.76%

15. Details of additional loan loss provisions

Particulars	Opening Balance	Closing Balance	Additional Provision
Pass Loan	1,770,974,892	1,835,030,938	64,056,046
Watch List	1,559,518,950	1,446,985,528	(112,533,423)
Restructure/Reschedule	0	-	-
Sub-standard Loan	754,401,652	973,980,676	219,579,024
Doubtful Loan	2,594,391,715	1,519,767,932	(1,074,623,784)
Loss Loan	4,255,052,399	5,569,892,864	1,314,840,465
Additional provision	1,619,134,074	295,722,970	(1,323,411,104)

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	
Treasury Bills	-
Development Bond	47,167,036,000
Debenture	1,588,941,000
Grand Total	**48,755,977,000**

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.	10,966,369	11,835,024
Banking,Finance & Insurance Institute Of Nepal Ltd.	3,000,000	5,253,011
Cedb Hydropower Development Company Limited	32,437,180	45,212,375
Chilime Hydro Power Company Ltd.	33,783,269	38,314,513
Citizens Mutual Fund 2	23,970,546	25,691,178
Citizens Super 30 Mutual Fund	80,306,978	79,816,464
Garima Samriddhi Yojana	20,000,000	19,900,000
Global Ime Balanced Fund - 1	60,977,192	65,094,886
Himalayan 80-20 (Hbl8020)	52,558,598	61,033,620
Himalayan Reinsurance Limited	12,283,147	13,558,407
Hydorelectricity Investment And Development Company Ltd.	53,849,091	43,926,995
Karja Suchana Kendra Ltd.	94,500	1,181,300
Kumari Dhanabridhi Yojana	41,231,821	41,743,258
Kumari Equity Fund	50,704,516	53,519,309
Kumari Sabal Yojana	25,879,980	26,455,300
Laxmi Unnati Kosh	8,732,258	9,817,293
Laxmi Value Fund II (Lvf2)	70,577,299	71,610,152
Matribhumi Lagubitta Sanstha Limited Promoter Share	18,770,000	41,316,553
MBL Equity Fund	51,777,792	51,570,462
Mega Mutual Fund 1	48,229,910	51,679,952
Mountain Energy Nepal Limited	31,062,184	32,008,078
Muktinath Mutual Fund 1	10,000,000	9,900,000
Nabil Balance Fund-3	68,423,606	72,627,410
Nabil Balance Fund-2	65,105,287	67,228,902
Nabil Flexi Cap Fund	30,000,000	35,010,000
NATIONAL BANKING INSTITUTE LTD.	3,000,000	3,162,752
National Life Insurance Co. Ltd.	4,121,040	4,338,246
National Microfinance Laghubitta Bittiya Sanstha Ltd. Promoter	14,000,000	57,840,853
Nepal Clearing House Ltd.	19,089,300	83,647,888
Nepal Doorsanchar Co.Ltd (Ntc)	85,866,112	88,832,360
Nepal Insurance Co. Ltd.	11,412,487	9,910,610
Nerude Mirmire Lagubitta Bittiya Sanstha Ltd.	10,861,843	135,716,739
Nibl Growth Fund	72,059,178	72,322,824

Nibl Samriddhi Fund -2	31,365,872	31,493,890
Nibl Stable Fund	36,048,847	38,046,177
Nic Asia Balance Fund	51,263,654	52,641,590
Nic Asia Dynamic Debt Fund	6,648,300	7,087,088
Nic Asia Flexi Cap Fund	31,351,486	30,987,514
Nic Asia Select - 30 (Index Fund)	32,711,369	32,239,728
Nicgf2 - Nic Asia Growth Fund 2	25,420,153	24,654,363
Nlg Insurance Company Ltd.	61,447,411	67,844,117
Nmb 50	21,807,881	22,006,391
NMB Hybrid Fund L-II	46,196,816	42,458,367
Nmb Sulav Investment Fund-2	82,790,320	90,975,543
Prabhu Capital Ltd.	1,500,000	2,041,875
Prabhu Select Fund	68,693,127	79,060,743
Prabhu Smart Fund (Prvusf)	67,401,464	77,695,429
Radhi Bidyut Company Ltd	11,916,169	24,978,079
Rasuwagadhi Hydropower Company Limited	32,355,744	28,576,969
Rbb Mutual Fund	58,371,840	57,841,308
Rbb Mutual Fund 1	48,080,915	51,641,445
Reliable Private Equity Fund	50,000,000	50,000,000
Reliable Samriddhi Yojana	30,000,000	29,790,000
RNLI - Reliable Nepal Life Insurance Limited	11,810,696	13,404,242
Sanima Growth Fund	33,815,909	34,333,195
Sanima Large Cap Fund	17,776,292	19,230,303
Sanima Mai Hydropower Ltd.	17,620,891	28,583,961
Sanima Reliance Life Insurance Limited	16,629,280	17,444,971
Sanjen Jalavidhyut Company Limited	19,494,285	17,367,273
Sarbottam Cement Limited	9,284,809	9,523,910
Shivam Cements Ltd	24,222,396	24,214,840
Siddhartha Equity Fund	74,239,404	78,016,002
Siddhartha Investment Growth Scheme-2	46,487,437	49,937,696
Siddhartha Investment Growth Scheme-3	78,026,490	81,066,600
Soaltee Hotel Ltd.	36,128,707	41,304,479
Sun Nepal Life Insurance Company Ltd.	19,882,598	25,902,358
Sunrise Blue Chip Fund	48,148,584	52,720,070
Sunrise First Mutual Fund	43,864,421	45,588,595
Sunrise Focused Equity Fund	63,614,842	64,947,836
Suryajyoti Life Insurance Company Ltd.	4,518,207	6,219,265
Suryajyoti Life Insurance Company Ltd. Promoter	1,854,506	3,343,051
Grand Total	**2,489,922,609**	**2,888,285,973**

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 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. 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.