



**Disclosure under BASEL III**  
**For Fourth Quarter of FY 2080/81 ending on 15<sup>th</sup> July 2024**

**1. CAPITAL STRUCTURE AND CAPITAL ADEQUACY**

**1.1. Tier 1 Capital and Breakdown of its Components**

	<b>Particulars</b>	<b>Amount (NPR)</b>
a.	Paid up Equity Share Capital	23,542,489,832
b.	Equity Share Premium	-
c.	Statutory General Reserves	5,019,531,256
d.	Retained Earnings	1,223,944,592
e.	Unaudited current year cumulative profit/(loss)	-
f.	Capital Adjustment Reserve (Debenture Redemption Reserve)	400,000,000
g.	Other Free Reserve	-
h.	Less: Intangible Assets	(99,786,193)
i.	Less: Investment in equity of institutions with financial interests	(829,229,080)
j.	Less: Investment in equity of institutions in excess of limits	(60,536,500)
k.	Less: Purchase of land & building in excess of limit and unutilized	(11,937,500)
	<b>Common Equity Tier 1 (CET 1)</b>	<b>29,184,476,407</b>
a.	Perpetual Non-Cumulative Preference Share Capital	-
b.	Perpetual Debt Instruments	-
c.	Stock Premium	-
	<b>Additional Tier 1 (AT 1)</b>	<b>-</b>
	<b>Tier 1 Capital (Core Capital) (CET1 + AT1)</b>	<b>29,184,476,407</b>

**1.2. Tier 2 Capital and Breakdowns of its Components**

	<b>Particulars</b>	<b>Amount (NPR)</b>
a.	Subordinated Term Debts	7,440,549,717
b.	General Loan Loss Provision	3,328,619,905
c.	Exchange Equalization Reserve	27,603,443
d.	Investment Adjustment Reserve	3,760,000
	<b>Supplementary Capital (Tier 2)</b>	<b>10,800,533,065</b>

**1.3.** The Bank has not issued Subordinated Term Debts during the year.

**1.4 Deduction from Capital**

	<b>Particulars</b>	<b>Amount (NPR)</b>
a.	Intangible Assets	99,786,193.49
b.	Investment in equity of institutions with financial interests	829,229,080.00
c.	Investment in equity of institutions in excess of limits	60,536,500.00
d.	Purchase of land & building in excess of limit and unutilized	11,937,500.00
	<b>Total</b>	<b>1,001,489,273.49</b>

### 1.5. Total Qualifying Capital

	<b>Qualifying Capital</b>	<b>Amount (NPR)</b>
a.	Core Capital (Tier 1 Capital)	29,184,476,407
b.	Supplementary Capital (Tier 2 Capital)	10,800,533,065
	<b>Total Capital Fund (Tier 1 and Tier 2)</b>	<b>39,985,009,472</b>

### 1.6. Capital Adequacy Ratio

	<b>Capital Adequacy Ratios</b>	<b>Ratio</b>
a.	Common Equity Tier 1 Ratio	9.89%
b.	Core Capital Ratio - Tier 1	9.89%
c.	Total Capital Ratio - Tier 1 + Tier 2	13.55%

### 1.7 Summary of the terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments

NPR in Million

Debenture Name	Face Value	Tenure	Issue Date	Maturity Date	Interest Rate*	Interest Pmt. Frequency	Amt. eligible for capital fund
10.25% Prabhu Bank Debenture 2086	1,000	10 Yrs.	15/11/2019	14/11/2029	10.25%	Half Yearly	999
10.00% Prabhu Bank Debenture 2084	2,000	8 Yrs.	13/08/2020	12/08/2028	10.00%	Quarterly	1,597
8.50% Prabhu Bank Debenture 2087	2,650	10 Yrs.	14/06/2021	13/06/2031	8.50%	Quarterly	2,644
10.50% Century Debenture 2088	2,200	10 Yrs.	24/05/2022	23/05/2032	10.50%	Half Yearly	2,200
<b>Total</b>	<b>7,850</b>						<b>7,441</b>

\*Above figures are subject to change as per the statutory auditor and regulatory body, NRB.

## 2. RISK EXPOSURES

### 2.1 Risk Weighted Exposures for Credit Risk, Market Risk and Operational Risk

	<b>Particulars</b>	<b>Amount (NPR)</b>
a.	Risk Weighted Exposure for Credit Risk	266,289,592,437
b.	Risk Weighted Exposure for Operational Risk	12,778,426,204
c.	Risk Weighted Exposure for Market Risk	104,579,699
	<b>Adjustments under Pillar II</b>	
a.	Add: 4% of the Gross Revenue for operational risk (6.4a 7)	4,794,382,389
b.	Add: 4% of Overall Risk Weighted Exposure as per Supervisory Adjustment	11,166,903,934
	<b>Total Risk Weighted Exposures</b>	<b>295,133,884,662</b>

## 2.2 Risk Weighted Exposures under each of 11 categories of Credit Risk

	<b>Particulars</b>	<b>Amount (NPR)</b>
a.	Claims on government & central bank	-
b.	Claims on other official entities	-
c.	Claims on banks	2,995,236,664
d.	Claims on corporate & securities firms	144,575,914,128
e.	Claims on regulatory retail portfolio	20,212,368,109
f.	Claims secured by residential properties	8,170,884,352
g.	Claims secured by commercial real state	3,974,457,628
h.	Past due claims	14,420,286,864
i.	High risk claims	20,959,156,809
j.	Other assets	19,419,413,177
k.	Off balance sheet items	31,561,874,706
	<b>Total Credit Risk Weightage Exposure</b>	<b>266,289,592,437</b>

## 2.3 Total Risk Weighted Exposure Calculation Table

<b>Particulars</b>	<b>Amount (NPR)</b>
Risk Weighted Exposure for Credit Risk	266,289,592,437
Risk Weighted Exposure for Operational Risk	12,778,426,204
Risk Weighted Exposure for Market Risk	104,579,699
<b>Adjustments under Pillar II</b>	
Add: 4% of the Gross Revenue for operational risk (6.4a 7)	4,794,382,389
Add: 4% of Overall Risk Weighted Exposure as per Supervisory Adjustment for overall risk management policies and procedures	11,166,903,934
<b>Total Risk Weighted Exposures (After Bank's Adjustment of Pillar II)</b>	<b>295,133,884,662</b>
Common Equity Tier 1 Ratio	9.89%
Core Capital Ratio - Tier 1	9.89%
Total Capital Ratio - Tier 1 + Tier 2	13.55%

## 2.4. Amount of Non-Performing Assets (NPAs)

<b>Particulars</b>	<b>Gross NPA (NPR)</b>	<b>Loss Provision (NPR)</b>	<b>Net NPA (NPR)</b>
Restructured & Rescheduled	-	-	-
Substandard	2,147,446,834	531,512,855	1,615,933,980
Doubtful	1,366,020,906	674,911,483	691,109,423
Loss	7,697,581,404	7,647,324,039	50,257,365
<b>Total</b>	<b>11,211,049,145</b>	<b>8,853,748,377</b>	<b>2,357,300,768</b>

## 2.5. Nonperforming Assets (NPA) Ratios

<b>NPA Ratios</b>	<b>Ratios</b>
Gross NPA to Gross Advances	4.78%
Net NPA to Net Advances	1.07%

## 2.6. Movement of Nonperforming Assets

Particulars	This Quarter	Previous Quarter	Movement
Restructured & Rescheduled	-	-	-
Substandard	2,147,446,834.49	1,432,563,764.68	714,883,069.81
Doubtful	1,366,020,905.86	3,107,106,313.09	(1,741,085,407.23)
Loss	7,697,581,404.22	6,962,282,027.99	735,299,376.23
<b>Total</b>	<b>11,211,049,144.57</b>	<b>11,501,952,105.76</b>	<b>(290,902,961.19)</b>

## 2.7. Write off of Loans and Interest Suspense

Particulars	This Quarter (NPR)
Loan Write Off	218,521
Interest Write Off	2,746,734

## 2.8 Movements in Loan Loss Provisions and Interest Suspense (NPR)

Particular	This Quarter	Previous Quarter	Movement
Loan Loss Provision	13,506,507,713.25	14,708,341,651.08	(1,201,833,937.83)
Interest Suspense	2,681,027,082.74	3,318,282,610.79	(637,255,528.05)

## 2.9. Details of additional Loan Loss Provision (NPR)

	Particulars	This Quarter	Previous Quarter	Movement
1.a.	Pass	2,426,291,692.34	2,297,389,864.59	128,901,827.75
1.b.	Watch List	2,226,467,643.93	3,514,980,201.67	(1,288,512,557.74)
2.	Restructured & Rescheduled	-	-	-
3.	Substandard	531,512,854.57	364,187,169.36	167,325,685.22
4.	Doubtful	674,911,483.01	1,603,384,536.50	(928,473,053.49)
5.	Loss	7,647,324,039.40	6,928,399,878.60	718,924,160.80
	<b>Total Loan Loss Provision</b>	<b>13,506,507,713.25</b>	<b>14,708,341,650.71</b>	<b>(1,201,833,937.46)</b>

## 2.10. Segregation of Investment Portfolio

	Particulars	Ashad 2081 (NPR)
a.	Held for Trading	202,230,758
b.	Held to Maturity	85,199,917,808
c.	Available for Sale	9,163,760,036.95
	<b>Total Investments</b>	<b>94,565,908,603</b>

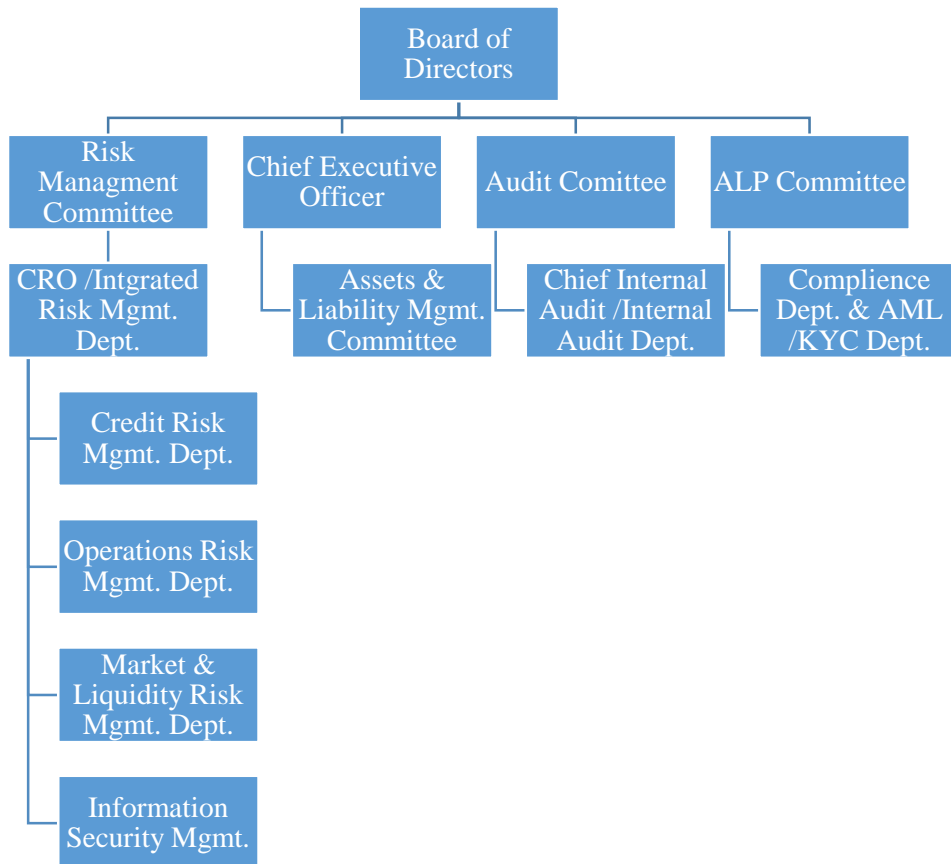
\*Above figures are subject to change as per the statutory auditor and regulatory body, NRB.

## 3. RISK MANAGEMENT STRATEGIES AND FUNCTION

Bank Management bears the responsibility of fully understanding the nature and extent of risks undertaken by the Bank and ensuring that these risks are appropriately aligned with the Bank's capital adequacy. The Bank acknowledges that a risk-taking approach is only justifiable when

the risks are comprehensible, quantifiable, controllable, and remain within the Bank's risk capacity.

In harmony with the Directives and Guideline Papers issued by Nepal Rastra Bank, along with its own Risk Management Policy, Prabhu Bank is progressing towards the establishment of a comprehensive framework designed to identify, assess, measure, monitor, and manage all forms of risk. The current risk management structure within the Bank is as follows:



The Bank's Risk Management Committee, comprising two non-executive Directors, the Chief Credit Officer, Chief Operating Officer, and Chief Risk Officer, is responsible for reviewing and analyzing all types of risks, including credit, operational, market, information security, and environmental & social risks. The committee regularly examines trends, assesses the impact of exposures on capital, and provides prudent recommendations to the Board. These recommendations guide the Management in proactively implementing required action plans.

To ensure a robust credit risk management system, the Bank has divided credit risk responsibilities into three distinct functions: credit relationship management, credit risk assessment, and credit administration. Each function has clearly defined roles and responsibilities. Alongside trend analysis and exposure impact assessments, the Credit Risk

Management Department ensures adherence to credit policies, procedural manuals, and other activities aimed at cultivating a risk management culture throughout the Bank.

The Bank strives to minimize the frequency and impact of unexpected operational losses by implementing well-defined operational manuals and guidelines, training staff for smooth service delivery, maintaining checks and balances on authority delegation, conducting comprehensive internal audits, following up on audit remarks, and having a business continuity plan for potential external disruptions. The Operational Risk Department remains vigilant in monitoring operational activities across the Bank. It also compiles reports on operational incidents within the Bank and gathers relevant external information, submitting these reports to the Risk Management Committee and the Operational Risk Management Committee, along with recommendations for necessary actions, which are then advised to Management for execution.

The Market & Liquidity Risk Management Department, independent from the Treasury Dealer and Treasury Back Office, oversees daily treasury activities, monitors trends in liquidity, interest rates, and foreign currency exchange rates, and assesses the impact of these exposures. A robust system for monitoring and reporting risk exposures and evaluating how the Bank's changing risk profile influences capital needs has been established. Additionally, liquid assets are maintained relative to cash flows to ensure available funding sources even during crises. This includes a careful preparation and reporting of the structural liquidity position, gap analysis, and stress testing in regular intervals, all of which are presented and analyzed in the ALCO (Asset Liability Management Committee) for informed decision-making and future strategy formulation.

Moreover, the Bank has established a fully-fledged Compliance Department, led by the Head of Compliance, to ensure adherence to regulatory requirements and internal policies. The audit function operates independently, with the Internal Audit Department responsible for developing internal procedures, checks, and control systems, reporting directly to the Board-level Audit Committee.