Disclosure under BASEL III

For First Quarter of FY 2083/84 ending on 17th October 2026

1. CAPITAL STRUCTURE AND CAPITAL ADEQUACY

1.1. Tier 1 Capital and Breakdown of its Components

	Particulars	Amount (NPR)
a.	Paid up Equity Share Capital	23,542,489,832
b.	Equity Share Premium	
c.	Statutory General Reserves	4,520,749,833
d.	Retained Earnings	(6,787,702,875)
e.	Unaudited current year cumulative profit/(loss)	
f.	Capital Adjustment Reserve (Debenture Redemption Reserve)	4,470,510,913
g.	Other Free Reserve	
h.	Less: Intangible Assets	(69,880,170)
i.	Less: Investment in equity of institutions with financial interests	(795,729,080)
j.	Less: Investment in equity of institutions in excess of limits	(341,291,255)
k.	Less: Purchase of land & building in excess of limit and unutilized	(11,937,500)
l.	Less: Other Deductions	(450,000,000)
	Common Equity Tier 1 (CET 1)	**24,077,209,698**
a.	Perpetual Non-Cumulative Preference Share Capital	-
b.	Perpetual Debt Instruments	-
c.	Stock Premium	-
	Additional Tier 1 (AT 1)	-
	Tier 1 Capital (Core Capital) (CET1 + AT1)	**24,077,209,698**

1.2. Tier 2 Capital and Breakdowns of its Components

	Particulars	Amount (NPR)
a.	Subordinated Term Debts	5,313,228,970
b.	General Loan Loss Provision	3,245,981,742
c.	Exchange Equalization Reserve	38,747,106
d.	Investment Adjustment Reserve	3,760,000
e.	Accrued Interest Receivable on pass loan included in Regulatory Reserve	645,729,315
f.	Regulatory reserve for non-banking assets recorded within the last 24 months.	1,154,268,071
g.	Interest Capitalized Reserve included in Regulatory Reserve	317,702,028
	Supplementary Capital (Tier 2)	**10,719,417,233**

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

1.4 Deduction from Capital

	Particulars	Amount (NPR)
a.	Intangible Assets	69,880,170
b.	Investment in equity of institutions with financial interests	795,729,080
c.	Investment in equity of institutions in excess of limits	341,291,255
d.	Purchase of land & building in excess of limit and unutilized	11,937,500

e.	Other Deductions (Investment on Private Equity Fund)	450,000,000
	Total	**1,668,838,005**

1.5. Total Qualifying Capital

	Qualifying Capital	**Amount (NPR)**
a.	Core Capital (Tier 1 Capital)	24,077,209,697
b.	Supplementary Capital (Tier 2 Capital)	10,719,417,233
	Total Capital Fund (Tier 1 and Tier 2)	**34,796,626,930**

1.6. Capital Adequacy Ratio

	Capital Adequacy Ratios	**Ratio**
a.	Common Equity Tier 1 Ratio	8.18%
b.	Core Capital Ratio - Tier 1	8.18%
c.	Total Capital Ratio - Tier 1 + Tier 2	**11.83%**

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.

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	999,205,243	10 Yrs.	15/11/2019	14/11/2029	10.25%	Half Yearly	599,205,243
10.00% Prabhu Bank Debenture 2084	1,998,303,064	8 Yrs.	13/08/2020	12/08/2028	10.00%	Quarterly	398,303,064
8.50% Prabhu Bank Debenture 2087	2,645,720,663	10 Yrs.	14/06/2021	13/06/2031	8.50%	Quarterly	2,115,720,663
10.50% Century Debenture 2088	2,200,000,000	10 Yrs.	24/05/2022	23/05/2032	10.50%	Half Yearly	2,200,000,000
Total	**7,843,228,970**						**5,313,228,970**

2. RISK EXPOSURES

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

	Particulars	**Amount (NPR)**
a.	Risk Weighted Exposure for Credit Risk	259,678,539,323
b.	Risk Weighted Exposure for Operational Risk	19,599,909,749
c.	Risk Weighted Exposure for Market Risk	162,066,475
	Adjustments under Pillar II	
a.	Add: 3% of the Gross Revenue for operational risk (6.4a 7)	3,636,991,291
b.	Add: 4% of Overall Risk Weighted Exposure as per Supervisory Adjustment	11,177,620,622
	Total Risk Weighted Exposures	**294,255,127,460**

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

	Particulars	**Amount NPR)**
a.	Claims on government & central bank	-
b.	Claims on other official entities	-
c.	Claims on banks	3,995,906,534
d.	Claims on corporate & securities firms	112,109,299,531

e.	Claims on regulatory retail portfolio	16,755,822,167
f.	Claims secured by residential properties	9,758,076,838
g.	Claims secured by commercial real state	4,400,834,994
h.	Past due claims	36,366,616,677
i.	High risk claims	5,391,653,833
j.	Other assets	43,527,942,954
k.	Off balance sheet items	27,372,385,794
	Total Credit Risk Weightage Exposure before Adjustment	**259,678,539,323**

2.3. Total Risk Weighted Exposure Calculation Table

Particulars	**Amount (NPR)**
Risk Weighted Exposure for Credit Risk	259,678,539,323
Risk Weighted Exposure for Operational Risk	19,599,909,749
Risk Weighted Exposure for Market Risk	162,066,475
Adjustments under Pillar II	
Add: 3% of the Gross Revenue for operational risk (6.4a 7)	3,636,991,291
Add: 4% of Overall Risk Weighted Exposure as per Supervisory Adjustment for overall risk management policies and procedures	11,177,620,622
Total Risk Weighted Exposures (After Bank's Adjustment of Pillar II)	**294,255,127,460**
Common Equity Tier 1 Ratio	8.18%
Core Capital Ratio - Tier 1	8.18%
Total Capital Ratio - Tier 1 + Tier 2	11.83%

2.4. Amount of Non-Performing Assets (NPAs)

Particulars	**Gross NPA (NPR)**	**Loss Provision (NPR)**	**Net NPA (NPR)**
Restructured & Rescheduled	-	-	-
Substandard	2,802,888,491	704,749,045	2,098,139,445
Doubtful	18,449,984,491	9,211,597,088	9,238,387,403
Loss	12,381,739,937	12,310,470,656	71,269,281
Total	**33,634,612,918**	**22,226,816,790**	**11,407,796,129**

2.5. Nonperforming Assets (NPA) Ratios

NPA Ratios	**Ratios**
Gross NPA to Gross Loans & Advances	14.80%
Net NPA to Net Loans & Advances	5.66%

2.6. Movement of Nonperforming Assets

Particulars	**This Quarter**	**Previous Quarter**	**Movement**
Restructured & Rescheduled	-	194,066,346	(194,066,346)
Substandard	2,802,888,491	4,751,156,470	(1,948,267,979)
Doubtful	18,449,984,491	20,520,842,363	(2,070,857,873)
Loss	12,381,739,937	10,648,532,422	1,733,207,515
Total	**33,634,612,918**	**36,114,597,601**	**(2,479,984,683)**

2.7. Write off of Loans and Interest Suspense

Particulars	**This Quarter**
Loan Write Off	-
Interest Write Off	-

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

Particular	This Quarter	Previous Quarter	Movement
Loan Loss Provision	25,605,482,534	25,016,789,639	588,692,895
Interest Suspense	6,089,031,989	6,068,434,662	20,597,327

2.9. Details of additional Loan Loss Provision (NPR)

	Particulars	This Quarter	Previous Quarter	Movement
1.a.	Pass	2,514,788,348	1,944,998,795	569,789,553
1.b.	Watchlist	863,877,397	1,381,394,949	(517,517,552)
2	Restructured & Rescheduled	-	24,258,293	(24,258,293)
3	Substandard	704,749,045	1,207,575,136	(502,826,091)
4	Doubtful	9,211,597,088	9,810,030,043	(598,432,955)
5	Loss	12,310,470,656	10,648,532,422	1,661,938,235
	Total Loan Loss Provision	**25,605,482,534**	**25,016,789,639**	**588,692,895**

2.10. Segregation of Investment Portfolio

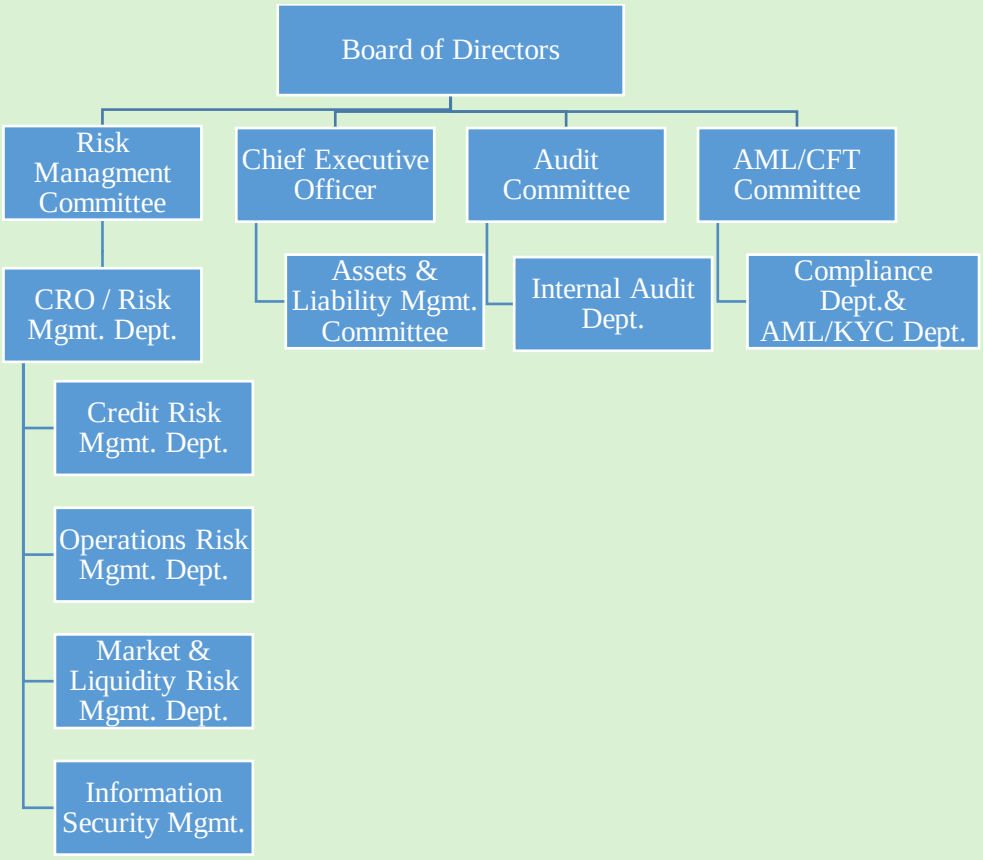
	Particulars	Ashwin 2083 (NPR)
a.	Investment in Subsidiaries	795,729,080
b.	Investment in Associates	471,255,400
c.	Investment Securities	95,177,040,561
d.	Held for Trading	195,879,566
e.	Placement with BFI's	7,491,314,000
	Total Investments	**104,131,218,607**

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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, 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

Credit Risk 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.

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.