Prabhu Bank

Head Office: Babarmahal, Kathmandu, Nepal
Tel: 977-1-5719000
E-mail:info@prabhubank.com

Condensed Consolidated Statement of Financial Position
As on Quarter ended 29 Poush 2081

NPR in '000

Assets	Group		Bank	
	This Quarter Ending	Immediate Previous Year Ending (Audited)	This Quarter Ending	Immediate Previous Year Ending (Audited)
Cash and cash equivalent	7,460,301	8,124,586	7,517,098	8,089,835
Due from Nepal Rastra Bank	12,334,605	15,285,132	12,334,605	15,285,132
Placement with Bank and Financial Institutions	5,656,892	606,130	5,566,892	346,130
Derivative Financial Instruments	5,847,134	261,463	5,847,134	261,463
Other Trading Assets	888,544	820,300	203,296	202,231
Loan and advances to B/FIs	8,536,754	8,660,301	8,536,754	8,660,301
Loan and advances to Customers	219,673,036	221,045,599	219,673,036	221,045,599
Investment Securities	92,541,380	93,685,208	91,934,032	93,329,981
Current Tax Assets	-	-	-	-
Investment in Subsidiaries	-	-	795,729	795,729
Investment in Associates	-	-	-	-
Investment Property	1,211,664	789,752	1,211,664	789,752
Property & Equipment	4,693,514	4,701,915	4,598,230	4,603,367
Goodwill and Intangible Assets	348,664	353,488	318,962	323,272
Deferred Tax Assets	406,444	327,358	400,275	324,463
Other Assets	9,100,381	7,609,461	8,278,266	7,061,458
Total Assets	**368,699,313**	**362,270,695**	**367,215,973**	**361,118,713**
Liabilities				
Due to Bank and Financial Institutions	5,487,706	7,216,236	5,487,706	7,216,236
Due to Nepal Rastra Bank	-	950	-	950
Derivative Financial Instruments	5,861,897	259,963	5,861,897	259,963
Deposit from customer	304,363,063	304,924,571	304,513,546	305,012,852
Borrowings	690,750	668,250	690,750	668,250
Current Tax Liabilities	206,638	45,296	226,339	60,163
Provisions	105,679	105,679	105,679	105,679
Deferred Tax Liabilities	-	-	-	-
Other Liabilities	9,361,072	7,828,781	8,401,715	7,314,658
Debt Securities Issued	7,840,942	7,840,248	7,840,942	7,840,248
Subordinated Liabilities	-	-	-	-
Total Liabilities	**333,917,747**	**328,889,975**	**333,128,573**	**328,479,001**
Equity				
Share Capital	23,542,490	23,542,490	23,542,490	23,542,490
Share Premium	-	-	-	-
Retained Earnings	(3,172,699)	(2,831,236)	(3,331,364)	(3,025,526)
Reserves	13,894,256	12,131,215	13,876,273	12,122,749
Total Equity Attributable to equity holders	**34,264,047**	**32,842,469**	**34,087,399**	**32,639,713**
Non-controlling interest	517,519	538,251		
Total Equity	**34,781,565**	**33,380,720**	**34,087,399**	**32,639,713**
Total Liabilities and equity	**368,699,313**	**362,270,695**	**367,215,973**	**361,118,713**

Condensed Consolidated Statement of Profit or Loss
For the Quarter ended 29 Poush 2081

NPR in '000

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter Ending	Upto this quarter(YTD)	This Quarter Ending	Upto this quarter(YTD)	This Quarter Ending	Upto this quarter(YTD)	This Quarter Ending	Upto this quarter(YTD)
Interest income	6,142,525	13,181,444	7,265,202	15,555,082	6,140,014	13,173,243	7,248,550	15,511,787
Interest expenses	(3,901,821)	(8,307,225)	(5,031,365)	(10,746,245)	(3,900,724)	(8,305,338)	(5,029,812)	(10,744,975)
Net Interest income	**2,240,704**	**4,874,219**	**2,233,838**	**4,808,837**	**2,239,291**	**4,867,905**	**2,218,738**	**4,766,812**
Fees and commission income	562,201	1,226,498	437,563	1,073,953	529,676	1,160,404	434,877	1,031,661
Fees and commission expenses	(25,310)	(47,155)	(44,035)	(81,463)	(20,722)	(38,155)	(36,528)	(73,931)
Net Fees and commission income	**536,891**	**1,179,343**	**393,528**	**992,490**	**508,954**	**1,122,249**	**398,349**	**957,730**
Net Interest, fee and commission income	**2,777,595**	**6,053,562**	**2,627,366**	**5,801,328**	**2,748,245**	**5,990,154**	**2,617,087**	**5,724,542**
Net trading income	67,167	327,910	160,201	186,256	98,957	271,687	110,712	194,912
Other operating income	353,242	409,522	18,215	105,100	349,993	405,683	(1,683)	82,055
Total operating income	**3,198,003**	**6,790,994**	**2,805,781**	**6,092,684**	**3,197,195**	**6,667,524**	**2,726,117**	**6,001,510**
Impairment (charge)/reversal for loans and other losses	(430,054)	(814,224)	(1,178,349)	(1,257,767)	(430,054)	(814,224)	(1,178,349)	(1,257,767)
Net operating income	**2,767,949**	**5,976,770**	**1,627,432**	**4,834,917**	**2,767,141**	**5,853,300**	**1,547,768**	**4,743,742**
Operating expense								
Personnel expenses	(1,077,111)	(2,189,263)	(859,086)	(1,954,022)	(1,067,903)	(2,156,315)	(846,198)	(1,930,958)
Other operating expense	(491,789)	(1,002,957)	(410,063)	(887,149)	(480,217)	(976,890)	(406,775)	(870,268)
Depreciation & Amortisation	(104,170)	(203,973)	(113,357)	(219,514)	(100,166)	(197,259)	(107,843)	(213,999)
Operating profit	**1,094,879**	**2,580,578**	**244,927**	**1,774,232**	**1,118,855**	**2,522,836**	**186,952**	**1,728,517**
Non operating income	2,409	2,409	172	388	2,409	2,409	172	388
Non operating expenses	(997)	(1,672)	(137,478)	(281,757)	(997)	(1,672)	(137,478)	(281,757)
Profit before income tax	**1,096,292**	**2,581,314**	**107,621**	**1,492,863**	**1,120,268**	**2,523,572**	**49,647**	**1,447,148**
Income tax expense								
Current tax	(760,557)	(1,330,483)	(391,465)	(821,776)	(751,680)	(1,311,053)	(392,224)	(811,475)
Deferred tax	(79,826)	126,892	14,503	74,721	(73,106)	123,618	28,704	84,667
Profit/(loss) for the period	**255,908**	**1,377,724**	**(269,341)**	**745,808**	**295,481**	**1,336,138**	**(313,873)**	**720,341**

Condensed Consolidated Statement of Comprehensive Income

Profit/(loss) for the period	255,908	1,377,724	(269,341)	745,808	295,481	1,336,138	(313,873)	720,341
Other Comprehensive Income	(63,986)	111,549	-	41,219	(63,986)	111,549	-	41,219
Total Comprehensive Income	**191,923**	**1,489,272**	**(269,341)**	**787,027**	**231,495**	**1,447,686**	**(313,873)**	**761,559**
Basic earnings per share		11.70		12.67		11.35		6.12
Diluted earnings per share		11.70		12.67		11.35		6.12
Profit attributable to:								
Equity holders of the Bank	174,444	1,471,794	(317,912)	748,079	231,495	1,447,686	(313,873)	761,559
Non-controlling interest	17,479	17,479	48,572	38,947	-	-	-	-
Total	**191,923**	**1,489,272**	**(269,341)**	**787,027**	**231,495**	**1,447,686**	**(313,873)**	**761,559**

Ratios as per NRB Directive

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter Ending	Upto this quarter(YTD)	This Quarter Ending	Upto this quarter(YTD)	This Quarter Ending	Upto this quarter(YTD)	This Quarter Ending	Upto this quarter(YTD)
Capital fund to RWA		12.84%		11.82%		12.84%		11.82%
Tier 1 Capital to RWA		8.70%		8.12%		8.70%		8.12%
CET 1 Capital to RWA		8.70%		8.12%		8.70%		8.12%
Non-performing loan (NPL) to total loan		5.06%		4.90%		5.06%		4.90%
Total Loan loss provision to Total NPL		158.10%		123.39%		158.10%		123.39%
Cost of Funds		4.91%		7.05%		4.91%		7.05%
Average Credit to Deposit Ratio		74.95%		81.90%		74.95%		81.90%
Base Rate		7.06%		9.42%		7.06%		9.42%
Average Base Rate (three months)		7.26%		9.42%		7.26%		9.42%
Interest Rate Spread		3.95%		4.95%		3.98%		3.98%
Average Return on Equity (Annualized)		8.01%		4.59%		8.01%		4.59%
Average Return on Assets (Annualized)		0.73%		0.42%		0.73%		0.42%

Notes to Interim Financial Statement

1) Above financials are prepared in accordance with Nepal Financial Reporting Standard (NFRS) as issued by the Nepal Accounting Standard Board.
2) These figures are subject to change as per Regulator and/or External Auditors.
3) Previous periods' figures have been revised/regrouped wherever necessary which may vary from previous year published figure.
4) Impairment on credit exposure have been measured at higher of amount derived as per NFRS-9 Expected Credit Loss Related Guideline, 2024 issued by NRB and as per NRB Directive number 2 where impairment charges as calculated as per NRB directive number 2 is higher than the impairment charges as calculated under NFRS 9.
5) Interest income has been recognized as per NFRS-9 Expected Credit Loss Related Guideline, 2024 issued by NRB.
6) Loans and Advances are presented net of impairment charges and includes interest accruals and staff loans.
7) Personnel Expenses include employee's bonus provision and amortization of prepaid benefit of subsidized staff loan provided as per Employee By laws of the bank.
8) Group represents Prabhu Bank Limited and it's Subsidiary Prabhu Capital Limited and Prabhu Stock Market Limited.
9) Intercompany transactions among the Group have been eliminated in the above statement related to the Group.
10) The detailed interim report has been published in the bank's website www.prabhubank.com.

Statement of distributable profit or loss
For the Qtr end of 29 Poush 2081 (13 January 2025)
(As per NRB Regulations)

NPR in '000

Particulars	BANK	
	Current Year Upto this Qtr YTD	Previous Year Corresponding Qtr YTD
Net Profit or (Loss) as per statement of profit or loss	1,336,138	720,341
Appropirations		
a. General reserve	(267,228)	(144,068)
b. Foreign exchange fluctuation fund	(608)	(304)
c. Capital redemption reserve	(525,942)	-
d. Corporate social responsibility fund	(13,361)	(7,203)
e. Employees' training fund	-	-
f. Investment adjustment reserves	-	-
g. Others	5,109	-
Profit or (loss) before regulatory adjustment	**534,107**	**568,765**
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(658,632)	(72,044)
b. Short loan loss provision in accounts (-)/reversal (+)	-	-
c. Short provision for possible losses on investment (-)/reversal (+)	-	-
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	(105,502)	(56,804)
e. Deferred tax assets recognised (-)/ reversal (+)	(75,812)	(104,827)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Acturial loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	-	-
Net Profit for the Qtr end 29 Poush 2081 available for distribution	**(305,838)**	**335,090**
Opening Retained Earnings as on Shrawan 1, 2081	(3,025,526)	(2,202,558)
Adjustment (+/-) :	-	-
Distributions:		
Bonus Share Issued	-	-
Cash Dividend Issued	-	-
Total Distributable Profit or (Loss) as on Qtr end date	**(3,331,364)**	**(1,867,468)**
Annualised Distributable Profit/Loss per Share	-	-

Annex-14 of Securities Registration and Issue Regulations, 2073 (Related to sub-rule (1) of Rule 26)

Second Quarter Report of F/Y 2081/82

1. Financial Statements

a) Statements related to Financial Position and Profit or Loss have been published along with this.

Transactions with related parties:

i. Group comprises of Prabhu Bank Ltd. (The Bank), Prabhu Capital Ltd. (Subsidiary) and Prabhu Stock Market Ltd. (Subsidiary).
ii. Following are the details of intra-group transactions:

Particulars	Prabhu Capital Ltd.	Prabhu Stock Market Ltd.
Deposits held by Bank (NPR in mio)	33.92	116.57
Interest Paid (NPR in mio)	0.22	0.02

Above intra-group transactions have been eliminated in the financial statements of the group.

b) Key Financial Indicators:

Earnings per Share Rs.	11.35	Market Price per Share Rs.	219.70	Price Earnings Ratio	19.36
Return on Total Assets	0.73%	Net Worth per Share Rs.	144.79	Liquidity Ratio	33.51%

2. Managerial Analysis

a) Details relating to the change in the Bank's reserve, income and liquidity in the quarter and its main reason:
Bank has been able to earn Operating Profits of Rs. 2,522 million and net profit of Rs. 1,336 million. NPA management continues to be the top priority of the management.

b) Management's analytical details regarding future business plan:
Besides NPA management, Bank has adopted the strategy to expand Small and Medium Enterprises (SMEs) Loans, Productive Loans as Agriculture, Energy sectors with effective management of assets and liabilities. Further, bank will continue to focus on recovery of impaired loans and effective management of networks and enhancing the service excellence.

c) Analytical details of the incidents that may have major impact on reserves, profit or cash flow (if any), based on previous experience:
Current slowdown economic situation has had adverse effect on recovery of interest and impaired loans which has impacted the profitability of the Bank.

3. Statement related to legal proceedings:

a) Case filed by or against the Bank in this quarter
There have been no legal cases except the cases which are related to recovery of loans and income tax cases in the ordinary business course.

b) Case relating to disobedience of prevailing law or commission of criminal offence filed by or against the promoter or director of the Bank
No such information has been received.

c) Case relating to commission of financial crime filed against any promoter or director of the Bank
No such information has been received.

4. Statements related to Share Transactions:

a) Management view on the transactions of the shares of the Bank in the share market
Movements in the share price are determined by the open market principles. Hence, management has neutral opinion regarding the share price movements.

b) Maximum, minimum and closing share price, total transaction days and total transacted number of shares in the quarter

Maximum Price (Rs.)	273.00	Minimum Price (Rs.)	213.20	Closing Price (Rs.)	219.70
Total Transaction Days	55	No. of Transactions	39,266		

5. Problems and Challenges:

Internal Problems and Challenges:

- Challenge to manage Operational Risk with the increase of branch network and business processing complexity
- Challenge to increase non-interest revenue
- Recovery of Impaired Loans
- Management of personnel

External Problems and Challenges:

- Challenges from the Political and Social Environments
- Competition in the Banking Industry
- Challenge to manage information security risk
- Effect on the overall business and profitability due to current slowdown economic situation

Bank's Strategy to mitigate problems and challenges:

- Expanding business activities with caution observing the changes in internal and external environment
- Providing trainings to staff to enhance skills and abilities.
- Introducing new products and services considering the interest of the customers
- Focusing on alternate delivery channels to increase non-interest income
- Effective risk management, monitoring and controlling on operational risk, market risk and credit risk.
- Focusing on further improvement on digitalization to improve products offerings and service excellency.
- Detailed analysis of the effect from the external changes that take place from time to time, to the overall business and formulation of strategic action plans to cope with. Among others, Bank's strategy is to continue safe banking practices with special focus on recovery of interest and impaired loan.

6. Corporate Governance

Bank has been meticulously following the laws in force, directions issued by regulatory authorities like Nepal Rastra Bank, Securities Board of Nepal, etc. Bank has well equipped Compliance Department, Internal Audit Department and Risk Management Department to identify, monitor and control the possible risks in an independent manner. Besides, the Bank has board level Risk Management Committee and Audit Committee to supervise overall work of the Risk Management Department and Internal Audit Department respectively and provide guidelines.

7. CEO's declaration regarding truth and fairness

I, CEO, take responsibility for the truth and fairness of the information and statements in this report till date. Besides, I declare that, to the extent of my knowledge and belief, the statements are true and fair and any information necessary for investors to take informed decisions has not been suppressed.