

The extract presented hereunder is as per disclosure requirement of Capital Adequacy Framework 2015 as issued by Nepal Rastra Bank for the period ended 31 Ashwin 2082 (17<sup>th</sup> Oct 2025).

**1. CAPITAL STRUCTURE & CAPITAL ADEQUACY**

**i Tier 1 Capital and a breakdown of its components.**

|                                    | Particulars   | Amount ( in '000)   |
|------------------------------------|---|---------------------|
| a                                  | Paid Up Equity Share Capital  | 3,556,255.72        |
| b                                  | Equity Share Premium  | -                   |
| c                                  | Proposed Bonus Equity Shares  | -                   |
| d                                  | Statutory General Reserves  | 900,514.45          |
| e                                  | Retained Earnings   | 413,845.64          |
| f                                  | Unaudited Current Year Cumulative Profit/(Loss)                     | (62,364.30)         |
| g                                  | Capital Redemption Reserve  | -                   |
| h                                  | Capital Adjustment Reserve  | -                   |
| i                                  | Debenture Redemption Reserve  | 241,071.43          |
| j                                  | Dividend Equalization Reserves                                      | -                   |
| k                                  | Bargain Purchase Gain   | -                   |
| l                                  | Other Free Reserve  | -                   |
| m                                  | Less: Goodwill  | -                   |
| n                                  | Less: Intangible Assets   | -                   |
| o                                  | Less: Fictitious Assets   | -                   |
| p                                  | Less: Investment in Equity in Licensed Financial Institutions       | -                   |
| q                                  | Less: Investment in Equity of institutions With Financial Interests | -                   |
| r                                  | Less: Investment in Equity of Institutions in Excess of Limits      | -                   |
| s                                  | Less: Investments Arising Out of Underwriting Commitments           | -                   |
| t                                  | Less: Reciprocal Crossholdings                                      | -                   |
| u                                  | Less: Purchase of Land & Building in Excess of Limit and Unutilized | -                   |
| v                                  | Less: Cash Flow Hedge   | -                   |
| w                                  | Less: Defined Benefits Pension Assets                               | -                   |
| x                                  | Less: Unrecognized Defined Benefit Pension Liabilities              | -                   |
| y                                  | Less: Negative Balances of Reserve Accounts                         | -                   |
| z                                  | Less: Other Deductions  | -                   |
| <b>Total Core Capital (Tier I)</b> |   | <b>5,049,322.94</b> |

**ii Tier 2 Capital and a breakdown of its components.**

|  | Particulars   | Amount ( in '000)   |
|--|---|---------------------|
| a  | Cumulative and/or Redeemable Preference Share                                 | -                   |
| b  | Subordinated Term Debt  | 747,212.04          |
| c  | Hybrid Capital Instruments  | -                   |
| d  | Stock Premium   | -                   |
| e  | General Loan Loss provision   | 521,123.45          |
| f  | Exchange Equalization Reserve   | 1,168.08            |
| g  | Investment Adjustment Reserve   | -                   |
| h  | Accrued Interest Receivable on pass loan included in Regulatory Reserve       | 92,861.83           |
| i  | Regulatory reserve for non-banking assets recorded within the last 24 months. | 203,003.41          |
| j  | Interest Capitalized Reserve included in Regulatory Reserve                   | 2,089.87            |
| k  | Other Reserves  | -                   |
| <b>Total Supplementary Capital (Tier II)</b> |   | <b>1,567,458.69</b> |

**iii 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.**

Shangri-la Development bank has issued "9% Shangrila Development Bank Debenture 2087" of NPR 750,000,000 on 2078 Ashar 06 with the tenure of 10 years. The maturity date of the debenture is 2088 Ashar 31.

|   | Particulars   | Amount ( in '000) |
|---|---|-------------------|
| a | Outstanding Amount of 9% of Shangrila Development Bank Debenture 2078 | 747,212.04        |

**iv Deductions from capital**

Not Applicable

**v Total qualifying capital**

|  | Particulars                           | Amount ( in '000)   |
|--|---------------------------------------|---------------------|
| a  | Total Core Capital (Tier I)           | 5,049,322.94        |
| b  | Total Supplementary Capital (Tier II) | 1,567,458.69        |
| <b>Total Capital Fund (Tier I + Tier II)</b> |                                       | <b>6,616,781.63</b> |

**vi Capital adequacy ratio**

|   |   |        |
|---|---|--------|
| a | Common Equity Tier 1 Capital to Total Risk Weighted Exposures | 10.99% |
| b | Tier 1 Capital to Total Risk Weighted Exposures               | 10.99% |
| c | Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures    | 14.40% |

**vii Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities**

Assessment of capital adequacy of the bank is done on regular basis taking into considerations the exposure of the bank. Also the analysis of possible impact on capital adequacy is being done on regular basis taking into consideration the future impacts on assumptive basis. Capital adequacy of the bank and impact in capital due to future change in nature and size of business is discussed in Risk Management Committee and is summarized in board. Regular monitoring of nature of business is being done so that unexpected negative impact does not take place in capital adequacy of the bank.

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

Not Applicable

## 2. RISK EXPOSURES

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

|  |   | Particulars | Amount ( in '000)    |
|--|---|-------------|----------------------|
| a  | Risk Weighted Exposure for Credit Risk      |             | 41,689,875.64        |
| b  | Risk Weighted Exposure for Operational Risk |             | 2,941,406.44         |
| c  | Risk Weighted Exposure for Market Risk      |             | 10,949.61            |
| <b>Total Risk Weighted Exposures for Credit, Market and Operational Risk</b> |   |             | <b>44,642,231.69</b> |

### ii Risk Weighted Exposure Calculation Table

|  |   | Particulars | Amount ( in '000)    |
|--|---|-------------|----------------------|
| a  | Risk Weighted Exposure for Credit Risk      |             | 41,689,875.64        |
| b  | Risk Weighted Exposure for Operational Risk |             | 2,941,406.44         |
| c  | Risk Weighted Exposure for Market Risk      |             | 10,949.61            |
| <b>Total Risk Weighted Exposures for Credit, Market and Operational Risk</b> |   |             | <b>44,642,231.69</b> |
| <b>Adjustments Under Pillar II</b>   |   |             |                      |
| a  | Adjustment as per SRP 6.4a (5)              |             | -                    |
| b  | Adjustment as per SRP 6.4a (6)              |             | -                    |
| c  | Adjustment as per SRP 6.4a (7)              |             | 416,800.86           |
| d  | Adjustment as per SRP 6.4a (9)              |             | 892,844.63           |
| e  | Adjustment as per SRP 6.4a (10)             |             | -                    |
| <b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)</b> |   |             | <b>45,951,877.18</b> |

### iii Risk Weighted Exposures under each Categories of Credit Risk

|  |  | Particulars | Amount ( in '000)    |
|--|--|-------------|----------------------|
| a  | Claims on government and central bank                                |             | -                    |
| b  | Claims on other official entities                                    |             | -                    |
| c  | Claims on Banks  |             | 740,247.64           |
| d  | Claims on corporate and securities firms                             |             | 6,737,452.31         |
| e  | Claims on regulatory retail portfolio                                |             | 13,876,790.94        |
| f  | Claims secured by residential properties                             |             | 4,676,140.86         |
| g  | Claims secured by commercial real estate                             |             | -                    |
| h  | Past due claims (except for claim secured by residential properties) |             | 3,806,769.62         |
| i  | High risk claims   |             | 5,496,882.19         |
| j  | Real Estate loans for land acquisition and development               |             | 487,803.32           |
| k  | Lending Against Securities (Bonds)                                   |             | -                    |
| l  | Lending Against Shares (Upto Rs. 5 Million)                          |             | 1,547,977.22         |
| m  | Lending Against Shares (Above 5 Million)                             |             | -                    |
| o  | Personal Hirepurchase/Personal Auto Loans                            |             | 790,233.55           |
| q  | Investment in Equity and other capital instruments of institutions   |             | 1,062,360.46         |
| r  | Staff Loan secured by residential properties                         |             | 424,149.87           |
| s  | Other Assets   |             | 1,606,710.55         |
| t  | Off Balance sheet items  |             | 436,357.13           |
| <b>Total Risk Weighted Exposures for Credit Risk</b> |  |             | <b>41,689,875.64</b> |

### iv Amount of NPA's (Both Gross and Net)

|   |                              | Particulars         | Gross Amount        | Loan Loss Provision | Net Amount | Amount ( in '000)   |
|---|------------------------------|---------------------|---------------------|---------------------|------------|---------------------|
| a | Restructured/Reschedule Loan |                     | -                   | -                   | -          | -                   |
| b | Substandard Loan             | 1,409,039.22        | 421,966.25          |                     | 987,072.97 |                     |
| c | Doubtful Loan                | 270,085.46          | 113,677.29          |                     | 156,408.17 |                     |
| d | Loss Loan                    | 1,456,450.47        | 1,261,976.94        |                     | 194,473.53 |                     |
|   | <b>Total</b>                 | <b>3,135,575.15</b> | <b>1,797,620.49</b> |                     |            | <b>1,337,954.66</b> |

### v NPA Ratios

|   |                                      | Particulars  | Gross/Net NPA | Gross/Net Advances | %     | Amount ( in '000) |
|---|--------------------------------------|--------------|---------------|--------------------|-------|-------------------|
| a | Gross NPA to Gross loan and Advances | 3,135,575.15 | 45,728,445.85 |                    | 6.86% |                   |
| b | Net NPA to Net loan and Advances     | 1,337,954.66 | 43,338,777.59 |                    | 3.09% |                   |

### vi Movement of Non - Performing Assets

|   |                              | Particulars         | Current Year        | Previous Year | Movement    | Amount ( in '000) |
|---|------------------------------|---------------------|---------------------|---------------|-------------|-------------------|
| a | Restructured/Reschedule Loan | -                   | -                   | -             | -           | -                 |
| b | Substandard Loan             | 1,409,039.22        | 812,468.46          |               | 596,570.76  |                   |
| c | Doubtful Loan                | 270,085.46          | 306,582.00          |               | (36,496.53) |                   |
| d | Loss Loan                    | 1,456,450.47        | 1,086,439.44        |               | 370,011.03  |                   |
|   | <b>Total</b>                 | <b>3,135,575.15</b> | <b>2,205,489.90</b> |               |             | <b>930,085.26</b> |

### vi Write off of Loans and Interest Suspense

|   |                       | Particulars | Current Year    | Previous Year | Movement          | Amount ( in '000) |
|---|-----------------------|-------------|-----------------|---------------|-------------------|-------------------|
| a | Write off of Loan     | -           | 1,356.49        |               | (1,356.49)        |                   |
| b | Write off of Interest | -           | -               |               | -                 |                   |
|   | <b>Total</b>          | <b>-</b>    | <b>1,356.49</b> |               | <b>(1,356.49)</b> |                   |

**vii Movement of Loan Loss Provision**

|   |                     | Amount ( in '000) |              |               |
|---|---------------------|-------------------|--------------|---------------|
|   |                     | Particulars       | Current Year | Previous Year |
| a | Loan Loss Provision | 2,389,668.26      | 2,120,640.67 | 269,027.59    |

**viii Movement of Interest Suspense**

|   |                   | Amount ( in '000) |              |               |
|---|-------------------|-------------------|--------------|---------------|
|   |                   | Particulars       | Current Year | Previous Year |
| a | Interest Suspense | 730,466.57        | 916,708.29   | (186,241.71)  |

**ix Details of additional Loan Loss Provisions**

|   |                             | Amount ( in '000) |              |               |
|---|-----------------------------|-------------------|--------------|---------------|
|   |                             | Particulars       | Current Year | Previous Year |
| a | PG & Third Party Collateral | -                 | -            | -             |

**x Segregation of Investment Portfolio**

|   |                    | Amount ( in '000) |                   |
|---|--------------------|-------------------|-------------------|
|   |                    | Particulars       | Amount ( in '000) |
| a | Held for maturity  | 10,187,817.00     |                   |
| b | Held for trading   |                   | -                 |
| c | Available for sale | 1,042,064.61      |                   |

**2. RISK MANAGEMENT FUNCTION**

The Bank is committed to the identification, monitoring and management of risks associated with its business activities. Management is ultimately responsible to the Board for the Bank's system of internal controls and risk management. In order to enhance efficiency and effective internal control, the bank has established the Internal Audit Department. The internal audit of the Bank's branches and departments are carried out on regular basis.

**i Credit Risk**

The Bank has implemented various System/ Policies/ Procedures/ Guidelines for the effective management of Credit Risk. Risk Management Guideline and Credit Risk Management Policy has been prepared in order to mitigate/ minimize the credit risk of the Bank through appropriate monitoring and reporting framework established within the Bank. Strong internal control is in place to monitor and minimize the possible collateral risk, misutilization risk, compliance risk and social/environmental risk.

**ii Operation Risk**

The Bank has Operation Risk Management Policy in place along with needful resources in order to ensure effective management of operational risk that helps the Bank to avoid unnecessary operational losses and helps the Bank to meet the Bank's strategic goals, as well as veneer the Bank from reputational depletion and adverse media. Furthermore, the Bank has Incident Reporting Management system in place led by Incident Response Committee to effectively manage any unforeseen incident that may disrupt business operations, information security, IT systems, employees, customers, or other vital business functions. Moreover, Operation Department, Branch Operation Unit, Operation Risk Unit, AML/CFT Unit, Compliance Department of the Bank continuously work to assess and mitigate any operational risk that the bank may face.

**iii Market Risk**

Market risk related to interest rate, stock price are being monitored closely by Treasury Unit and the management. Discussions are being held in ALCO Committee, Risk Management Committee in frequent basis.

**iv Credit Risk Mitigants (CRM)**

Eligible CRM benefits availed.

|   |                    | Particulars | Amount ( in '000) |
|---|--------------------|-------------|-------------------|
| a | Deposits with Bank | 254,332.75  |                   |
| b | Gold               | 181,618.36  |                   |
|   |                    | Total       | 435,951.11        |