



**सांग्रिला डेवलपमेन्ट बैंक लि.**  
**Shangri-la Development Bank Ltd.**  
स्थानिय विकासको आधार

**Unaudited Interim Financial Statements**  
**For the Third Quarter Ended**  
**As on Chaitra 31, 2081**



**Shangri-la Development Bank Limited**  
**Statement of Financial Position**  
**As on 31 Chaitra 2081 (13 April 2025)**

	Note	Chaitra end 2081	Amount in NPR Ashadh end 2081
<b>Assets</b>			
Cash and cash equivalent	4.1	2,536,640,487	2,829,192,223
Due from Nepal Rastra Bank	4.2	2,267,306,164	2,035,039,344
Placement with Bank and Financial Institutions	4.3	-	-
Derivative financial instruments	4.4	-	-
Other trading assets	4.5	-	-
Loan and advances to B/FIs	4.6	3,398,041,674	3,203,895,233
Loans and advances to customers	4.7	43,496,650,897	41,786,970,569
Investment securities	4.8	10,426,981,855	10,616,265,854
Current tax assets	4.9	1,951,623	-
Investment in subsidiaries	4.10	-	-
Investment in associates	4.11	-	-
Investment property	4.12	417,280,748	288,161,842
Property and equipment	4.13	625,453,833	676,286,592
Goodwill and Intangible assets	4.14	15,448,191	15,013,965
Deferred tax assets	4.15	54,046,356	60,548,177
Other assets	4.16	335,817,954	701,447,925
<b>Total Assets</b>		<b>63,575,619,781</b>	<b>62,212,821,722</b>
<b>Liabilities</b>			
Due to Bank and Financial Institutions	4.17	1,823,077,038	1,561,069,493
Due to Nepal Rastra Bank	4.18	-	-
Derivative financial instruments	4.19	-	-
Deposits from customers	4.20	54,789,518,892	54,028,104,358
Borrowing	4.21	-	-
Current Tax Liabilities	4.9	-	14,306,571
Provisions	4.22	-	-
Deferred tax liabilities	4.15	-	-
Other liabilities	4.23	790,518,002	878,090,195
Debt securities issued	4.24	746,947,096	746,875,419
Subordinated Liabilities	4.25	-	-
<b>Total Liabilities</b>		<b>58,150,061,028</b>	<b>57,228,446,035</b>
<b>Equity</b>			
Share capital	4.26	3,556,255,719	3,430,971,303
Share premium		-	-
Retained earnings		240,271,269	131,878,334
Reserves	4.27	1,629,031,765	1,421,526,050
<b>Total equity attributable to equity holders</b>		<b>5,425,558,753</b>	<b>4,984,375,687</b>
Non-controlling interest		-	-
<b>Total Equity</b>		<b>5,425,558,753</b>	<b>4,984,375,687</b>
<b>Total Liabilities and Equity</b>		<b>63,575,619,781</b>	<b>62,212,821,722</b>



**Shangri-la Development Bank Limited**  
**Statement of Profit or Loss**  
**For the Quarter Ended 31 Chaitra 2081 (13 April 2025)**

*Amount in NPR*

Particulars	Chaitra end 2081		Chaitra end 2080	
	This Quarter	Upto This Quarter	This Quarter	Upto This Quarter
Interest Income	1,279,999,473	3,923,555,384	1,555,776,973	4,903,710,116
Interest Expense	769,161,643	2,494,419,061	1,054,002,876	3,455,567,851
<b>Net interest income</b>	<b>510,837,830</b>	<b>1,429,136,324</b>	<b>501,774,096</b>	<b>1,448,142,265</b>
Fees and Commission Income	54,887,351	171,714,421	49,821,188	163,665,949
Fees and Commission Expense	4,938,873	13,893,683	5,427,853	14,160,551
<b>Net fee and Commission income</b>	<b>49,948,478</b>	<b>157,820,738</b>	<b>44,393,336</b>	<b>149,505,398</b>
<b>Net interest fee and commission income</b>	<b>560,786,308</b>	<b>1,586,957,062</b>	<b>546,167,432</b>	<b>1,597,647,663</b>
Net Trading Income	-	-	-	-
Other Operating Income	132,654,729	158,957,347	1,752,125	7,200,648
<b>Total operating income</b>	<b>693,441,037</b>	<b>1,745,914,409</b>	<b>547,919,557</b>	<b>1,604,848,311</b>
Impairment charge/(reversal) for loans and other losses	47,134,671	255,675,721	7,065,469	400,323,127
<b>Net Operating income</b>	<b>646,306,366</b>	<b>1,490,238,688</b>	<b>540,854,089</b>	<b>1,204,525,184</b>
Operating expenses				
Personnel Expense	184,083,156	509,859,011	171,129,993	463,356,713
Other Operating Expenses	97,510,624	279,993,246	93,572,300	277,822,051
Depreciation and amortization	26,089,925	78,501,038	34,519,290	76,454,413
<b>Operating Profit</b>	<b>338,622,662</b>	<b>621,885,393</b>	<b>241,632,506</b>	<b>386,892,008</b>
Non-operating income	972,708	1,119,626	141,800	207,817
Non-operating expense	85,322	2,693,113	122,820	2,257,244
<b>Profit before income tax</b>	<b>339,510,048</b>	<b>620,311,906</b>	<b>241,651,486</b>	<b>384,842,581</b>
Income tax expense	101,853,014	186,093,572	72,495,446	115,452,774
Current tax	101,853,014	186,093,572	72,495,446	115,452,774
Deferred tax Expenses/(Income)	-	-	-	-
<b>Profit for the period</b>	<b>237,657,033</b>	<b>434,218,334</b>	<b>169,156,040</b>	<b>269,389,807</b>



**Shangri-la Development Bank Ltd.**  
**Statement of Other Comprehensive Income**  
**For the Quarter ended 31 Chaitra 2081 (13 April 2025)**

*Amount in NPR*

Particulars	Chaitra end 2081		Chaitra end 2080	
	This Quarter	Upto This Quarter	This Quarter	Upto This Quarter
<b>Profit for the year</b>	<b>237,657,033</b>	<b>434,218,334</b>	<b>169,156,040</b>	<b>269,389,807</b>
<b>Other comprehensive income</b>				
<b>a) Items that will not be reclassified to profit or loss</b>				
Gains/(losses) from investments in equity instruments measured at fair value	35,289,729	21,672,737	7,608,087	(39,474,029)
gain/(loss) on revaluation	-	-	-	-
Actuarial gain/(loss) on defined benefit plans	-	-	-	-
Income tax relating to above items	(10,586,919)	(6,501,821)	(2,282,426)	11,842,209
<b>Net other comprehensive income that will not be reclassified to profit or loss</b>	<b>24,702,811</b>	<b>15,170,916</b>	<b>5,325,661</b>	<b>(27,631,820)</b>
<b>b) Items that are or may be reclassified to profit or loss</b>				
Gains/(losses) on cash flow hedge				
Exchange gains/(losses) (arising from translating financial assets of foreign operation)				
me tax relating to above items				
Reclassification of Profit/Loss		-	-	-
<b>Net other comprehensive income that are or may be reclassified to profit or loss</b>				
<b>c) Share of other comprehensive income of associate accounted as per equited method</b>				
<b>Other comprehensive income for the period, net of income tax</b>	<b>24,702,811</b>	<b>15,170,916</b>	<b>5,325,661</b>	<b>(27,631,820)</b>
<b>Total comprehensive income for the year</b>	<b>262,359,844</b>	<b>449,389,250</b>	<b>174,481,701</b>	<b>241,757,986</b>
Total comprehensive income attributable to:				
Equity holders of the Bank	262,359,844	449,389,250	174,481,701	241,757,986
Non-controlling interest				
<b>Total comprehensive income for the year</b>	<b>262,359,844</b>	<b>449,389,250</b>	<b>174,481,701</b>	<b>241,757,986</b>

Particulars	Chaitra end 2081		Chaitra end 2080	
	This Quarter	Upto This Quarter	This Quarter	Upto This Quarter
<b>Earnings per share</b>				
Basic earnings per share		16.28		10.47
Diluted earnings per share		16.28		10.47
<b>Ratios as per NRB Directives</b>				
Particulars	Chaitra end 2081		Chaitra end 2080	
	This Quarter	Upto This Quarter	This Quarter	Upto This Quarter
Tier 1 Capital to RWA		10.57%		9.29%
CET Capital to RWA		10.57%		9.29%
Capital Fund to RWA		13.70%		12.08%
Non-Performing Loan(NPL) to Total Loan		4.97%		3.84%
Total Loan Loss Provision to Total NPL		85.88%		107.56%
Cost of Fund		5.39%		7.61%
Credit to Deposit Ratio		83.75%		82.78%
Base Rate		7.45%		10.07%
Interest Spread Rate		4.04%		4.58%
Return on Assets		0.91%		0.60%
Return on Equity		10.93%		7.76%



**Shangri-la Development Bank Ltd.**  
**Statement of Changes in Equity**  
**For the Quarter ended 31 Chaitra 2081 (13 April 2025)**

*Amount in NPR*

Particulars	Share Capital	General Reserve	Exchange Equalization Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total
<b>Balance at Shrawan 1, 2080</b>	<b>3,267,591,717</b>	<b>664,731,481</b>	<b>826,715</b>	<b>334,437,627</b>	<b>7,134,207</b>	<b>-</b>	<b>202,296,590</b>	<b>6,838,981</b>	<b>4,483,857,319</b>
<b>Adjustment/Restatement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Adjusted/Restated balance at Shrawan 1, 2080</b>	<b>3,267,591,717</b>	<b>664,731,481</b>	<b>826,715</b>	<b>334,437,627</b>	<b>7,134,207</b>	<b>-</b>	<b>202,296,590</b>	<b>6,838,981</b>	<b>4,483,857,319</b>
<b>Comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>504,280,453</b>	<b>-</b>	<b>504,280,453</b>
<b>Profit for the year as per Report (NFRS)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>504,280,453</b>	<b>-</b>	<b>504,280,453</b>
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	23,620,463	-	-	-	23,620,463
Gain/(loss) on revaluation	-	-	-	-	-	-	-	-	-
Atuarial gain/loss on defined benefit plans	-	-	-	-	-	-	-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,620,463</b>	<b>-</b>	<b>504,280,453</b>	<b>-</b>	<b>527,900,916</b>
Transfer to General Reserve	-	100,856,091	-	-	-	-	(100,856,091)	-	-
Transfer to General Reserve -Disposal of Shares	-	6,417,595	-	-	-	-	(6,417,595)	-	-
Transfer From General Reserve	-	-	-	-	-	-	-	-	-
Exchange Fluctuation Fund	-	-	127,824	-	-	-	(127,824)	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	-	-
Institution CSR Fund	-	-	-	-	-	-	(5,042,805)	5,042,805	-
Utilization of Institution CSR Fund	-	-	-	-	-	-	-	(1,397,381)	(1,397,381)
Staff Training Fund	-	-	-	-	-	-	-	-	-
Utilization of Staff Training Fund	-	-	-	-	-	-	-	(1,022,770)	(1,022,770)
Fair Value Reserve	-	-	-	(32,087,973)	-	-	32,087,973	-	-
Other Reserve	-	-	-	102,898,282	-	-	(102,898,282)	-	-
<b>Transfer To/from Regulatory reserve during the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Deferred Tax Reserve	-	-	-	14,129,483	-	-	(14,129,483)	-	-
Interest Receivable	-	-	-	(22,726,465)	-	-	22,726,465	-	-
Fair Value Reserve	-	-	-	1,333,302	-	-	(1,333,302)	-	-
Non Banking Assets	-	-	-	103,222,925	-	-	(103,222,925)	-	-
Fair Value Reserve	-	-	-	-	-	-	-	-	-
<b>Transactions with owners, directly recognised in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Share Issued	-	-	-	-	-	-	-	-	-
Share Issue Expenses	-	-	-	-	-	-	-	-	-
Tax On Share Issue Expenses	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-
Bonus shares issued	163,379,586	-	-	-	-	-	(163,379,586)	-	-
Cash dividend paid	-	-	-	-	-	-	(8,598,926)	-	(8,598,926)
Other	-	-	-	-	-	-	(123,506,330)	107,142,857	(16,363,473)
<b>Total contributions by and distributions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>131,878,334</b>	<b>116,604,492</b>	<b>4,984,375,687</b>
<b>Balance at 31 Ashad 2081 (16 July 2024)</b>	<b>3,430,971,303</b>	<b>772,005,167</b>	<b>954,538</b>	<b>533,295,155</b>	<b>(1,333,302)</b>	<b>-</b>	<b>131,878,334</b>	<b>116,604,492</b>	<b>4,984,375,687</b>

Shangri-La Development Bank Ltd.

Particulars	Share Capital	General Reserve	Exchange Equalization Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total
<b>Balance at Shrawan 1, 2081</b>	<b>3,430,971,303</b>	<b>772,005,167</b>	<b>954,538</b>	<b>533,295,155</b>	<b>(1,333,302)</b>	<b>-</b>	<b>131,878,334</b>	<b>116,604,492</b>	<b>4,984,375,687</b>
<b>Adjustment/Restatement</b>									
<b>Adjusted/Restated balance at Shrawan 1, 2081</b>	<b>3,430,971,303</b>	<b>772,005,167</b>	<b>954,538</b>	<b>533,295,155</b>	<b>(1,333,302)</b>	<b>-</b>	<b>131,878,334</b>	<b>116,604,492</b>	<b>4,984,375,687</b>
<b>Comprehensive income for the year</b>									
Profit for the year as per Report (NFRS)	-	-	-	-	-	-	434,218,334	-	434,218,334
<b>Other comprehensive income, net of tax</b>									
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	15,170,916	-	-	-	15,170,916
Gain/(loss) on revaluation	-	-	-	-	-	-	-	-	-
Atuarial gain/loss on defined benefit plans	-	-	-	-	-	-	-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>					<b>15,170,916</b>		<b>434,218,334</b>		<b>449,389,250</b>
Transfer to General Reserve	-	86,843,667					(86,843,667)		-
Transfer to General Reserve -Disposal of Shares		-							
Transfer From General Reserve	-	-	109,530	-	-	-	(109,530)	-	-
Exchange Fluctuation Fund	-	-	-	-	-	-	-	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	-	-
Institution CSR Fund	-	-	-	-	-	-	(4,342,183)	4,342,183	-
Utilization of Institution CSR Fund	-	-	-	-	-	-	(1,612,266)	(1,612,266)	(1,612,266)
Staff Training Fund	-	-	-	-	-	-	-	-	-
Utilization of Staff Training Fund	-	-	-	-	-	-	-	-	-
Fair Value Reserve					-				
<b>Transfer To/from Regulatory reserve during the year</b>									
Deferred Tax Reserve	-	-	-	(6,501,821)	-	-	6,501,821	-	-
Interest Receivable	-	-	-	17,828,610	-	-	(17,828,610)	-	-
Fair Value Reserve	-	-	-	(15,170,915)	-	-	15,170,915	-	-
Non Banking Assets				26,138,668			(26,138,668)		
Fair Value Reserve				-			-		
<b>Transactions with owners, directly recognised in equity</b>									
Share Issued	-	-	-	-	-	-	-	-	-
Share Issue Expenses	-	-	-	-	-	-	-	-	-
Tax On Share Issue Expenses	-	-	-	-	-	-	-	-	-
Dividends to equity holders									
Bonus shares issued	125,284,416	-	-	-	-	-	(125,284,417)	-	(1)
Cash dividend paid	-	-	-	-	-	-	(6,593,917)	-	(6,593,917)
Other	-	-	-	-	-	-	(80,357,143)	80,357,143	-
<b>Total contributions by and distributions</b>									
<b>Balance at 31 Chaitra 2081 (13 April 2025)</b>	<b>3,556,255,719</b>	<b>858,848,834</b>	<b>1,064,069</b>	<b>555,589,697</b>	<b>13,837,614</b>	<b>-</b>	<b>240,271,269</b>	<b>199,691,553</b>	<b>5,425,558,753</b>



**Shangri-la Development Bank Ltd.**  
**Statement of Cash Flows**  
**For the Quarter ended 31 Chaitra 2081 (13 April 2025)**

*Amount in NPR*

Particulars	Chaitra end 2081	Ashadh end 2081
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	3,491,215,745	5,768,743,312
Fees and other income received	307,391,542	303,268,842
Dividend received	-	-
Receipts from other operating activities	-	-
Interest paid	(2,501,510,615)	(4,434,380,863)
Commission and fees paid	(13,893,683)	(21,380,310)
Cash payment to employees	(499,641,155)	(586,641,119)
Other expense paid	(321,607,515)	(380,717,108)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>461,954,318</b>	<b>648,892,755</b>
<b>(Increase)/Decrease in operating assets</b>		
Due from Nepal Rastra Bank	(232,266,820)	(587,510)
Placement with bank and financial institutions	-	-
Other trading assets	-	-
Loan and advances to bank and financial institutions	(189,538,596)	(987,740,785)
Loans and advances to customers	(1,946,121,177)	(2,279,043,825)
Other assets	365,701,648	(342,872,570)
	<b>(2,002,224,945)</b>	<b>(3,610,244,690)</b>
<b>Increase/(Decrease) in operating liabilities</b>		
Due to bank and financial institutions	262,007,545	(380,635,110)
Due to Nepal Rastra Bank	-	-
Deposit from customers	761,414,534	3,460,382,492
Borrowings	-	-
Other liabilities	-	-
	<b>1,023,422,080</b>	<b>3,079,747,382</b>
<b>Net cash flow from operating activities before tax paid</b>	<b>(516,848,548)</b>	<b>118,395,447</b>
Income taxes paid	(202,351,765)	(141,255,426)
<b>Net cash flow from operating activities</b>	<b>(719,200,313)</b>	<b>(22,859,979)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	76,837,361	(1,644,781,042)
Receipts from sale of investment securities	134,119,374	82,561,917
Purchase of property and equipment	(29,439,129)	(128,867,403)
Receipt from the sale of property and equipment	(635,542)	3,744,535
Purchase of intangible assets	-	(8,589,396)
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	(129,118,906)	(163,845,913)
Receipt from the sale of investment properties	-	-
Interest received	407,140,618	581,899,187
Dividend received	25,035,394	5,972,019
<b>Net cash used in investing activities</b>	<b>483,939,170</b>	<b>(1,271,906,096)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Receipt from issue of debt securities	-	-
Repayment of debt securities	-	-
Receipt from issue of subordinated liabilities	-	-
Repayment of subordinated liabilities	-	-
Receipt from issue of shares	-	-
Dividends paid	(6,593,917)	(8,598,926)
Interest paid	(50,696,676)	(67,861,434)
Other receipt/payment	-	-
<b>Net cash from financing activities</b>	<b>(57,290,594)</b>	<b>(76,460,360)</b>

**Net increase (decrease) in cash and cash equivalents**

Cash and cash equivalents at Shrawan, 01, 2081		
Effect of exchange rate fluctuations on cash and cash equivalents held		
<b>Cash and cash equivalents at 31 Chaitra 2081 (13 April 2025)</b>	<b>2,536,640,487</b>	<b>2,829,192,223</b>



**Shangri-la Development Bank Ltd.**  
**Statement of Distributable Profit or Loss**  
**For the Quarter ended 31 Chaitra 2081 (13 April 2025)**

*Amount in NPR*

Particulars	Chaitra end 2081	Chaitra end 2080
<b>Net profit or (loss) as per statement of profit or loss</b>	<b>434,218,334</b>	<b>269,389,807</b>
Appropriations:		
a. General reserve	(86,843,667)	(53,877,961)
b. Foreign exchange fluctuation fund	(109,530)	(106,503)
c. Capital redemption reserve	(80,357,143)	(80,357,143)
d. Corporate social responsibility fund	(4,342,183)	(2,693,898)
e. Employees' training fund	-	-
f. Fair Value Reserve	-	-
g. Investment Adjustment Reserve	-	-
h. Others	-	-
<b>Profit or (loss) before regulatory adjustment</b>	<b>262,565,811</b>	<b>132,354,302</b>
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(17,828,610)	(95,996,686)
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 (+)	(26,138,668)	(106,372,925)
e. Deferred tax assets recognized (-)/ reversal (+)	6,501,821	-
f. Goodwill recognized (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	-	-
Unrealised Gain/(Loss) on Investment Securities-Fair value through PL		
Unrealised Gain/(Loss) on Investment Securities	15,170,916	(20,497,612)
<b>Net Profit Available for Distribution</b>	<b>240,271,269</b>	<b>(90,512,922)</b>
<b>Opening Retained Earning as on Shrawan 1</b>	<b>131,878,334</b>	<b>202,296,590</b>
Adjustment(+,-)		
Distributions:		
Bonus Shares Issued	125,284,417	163,379,586
Cash Dividend Paid	6,593,917	8,598,926
<b>Total Distributable Profit or (Loss)</b>	<b>240,271,269</b>	<b>(60,194,843)</b>
	9.01	(2.34)

**Note:**

1. Above financial statements are prepared in accordance with Nepal Financial Reporting Standard (NFRS) in line with NRB Directive except for Guidelines of Expected Credit Loss (ECL) Model. However, the bank has de recognized interest income on loans and advances classified as life-time ECL under Stage 3.
2. Unaudited financial figures are subject to change as instructed by External Auditors and Regulatory Authority.
3. Loan and Advances include staff loan and accrued interest receivable on loans and are presented net of loan impairment.
4. Personnel expenses include employee bonus calculation as per Bonus Act, 2030.
5. Previous year figures have been adjusted wherever necessary.

**Shangri-la Development Bank Limited  
Notes to the Financial Statements**

**1. Reporting Entity**

Shangri-la Development Bank Limited ("The Bank") is registered with the Office of Company Registrar as a public limited company and carries out banking activities in Nepal under the license from Nepal Rastra Bank as a Class "Kha" licensed institution. The Bank's registered corporate office is at Baluwatar, Kathmandu, Nepal. It is one of the largest National level Development Bank with branch network of 112 branches. The Bank is listed on Nepal Stock Exchange with its stock symbol "SADBL".

**2. Basis of Preparation**

The financial statements of the bank has been prepared on accrual basis of accounting in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2081.

The financial statements comprise Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income shown in a single statement, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements.

**2.1. Statement of Compliance**

The financial statements have been prepared and approved by the Board of Directors in accordance with Company Act 2063, Bank and Financial Institution Act 2073, Nepal Financial Reporting Standards (NFRS) and as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Directive No.4 of NRB Directives, 2081.

These policies have been consistently applied to all the years presented except otherwise stated.

**2.2. Functional and Presentation Currency**

The financial statements are presented in Nepalese Rupees (NPR) which is the Bank's functional currency. All financial information presented in NPR has been rounded to the nearest rupee except where indicated otherwise.

**2.3. Use of Estimates, Assumptions and Judgment**

The Bank, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further, the Bank is required to make judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements.

The NFRS requires the Bank to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements.

The Bank applies estimates in preparing and presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised and are applied prospectively.

Disclosures of the accounting estimates have been included in the relevant sections of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

**Going Concern**

The financial statements of the Bank is prepared on a going concern basis. The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue its business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

**3. Significant Accounting Policies**

The Bank has applied the accounting policies set out below consistently to all periods presented in the accompanying financial statements unless specifically stated otherwise.

### **3.1 Basis of Measurement**

The financial statements have been prepared on historical cost basis except for the following material items in the statement of financial position:

- Investment Securities are measured at Fair value through Other Comprehensive Income (FVTOCI).
- Liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

### **3.2 Cash and Cash Equivalent**

Cash and cash equivalent comprise short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value and carried at amortized cost.

The cash and cash equivalents for the purpose of cash flow statement include cash in hand, balances with banks, money at call and money market funds and financial assets with original maturity less than 3 months from the date of acquisition.

### **3.3 Financial Assets and Financial Liabilities**

#### **a. Recognition**

The Bank recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs in relation to financial assets and financial liabilities, other than those carried at fair value through profit or loss (FVTPL), are added to the fair value on initial recognition. Transaction costs in relation to financial assets and financial liabilities which are carried at fair value through profit or loss (FVTPL), are charged to Statement of Profit or Loss.

#### **b. Classification**

The financial assets and liabilities are subsequently measured at amortized cost or fair value on the basis of business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

**Financial assets are classified under three categories as required by NFRS 9, namely:**

##### **I. Financial Assets Measured at Amortized Cost:**

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest, are subsequently measured at amortized cost using the effective interest rate ('EIR') method less impairment, if any. The amortization of EIR and loss arising from impairment, if any is recognized in Statement of Profit or Loss.

##### **II. Financial Assets Measured at Fair Value Through Other Comprehensive Income:**

Financial assets that are held within a business model whose objective is achieved by both, selling financial assets and collecting contractual cash flows that are solely payments of principal and interest, are subsequently measured at fair value through other comprehensive income. Fair value movements are recognized in Other Comprehensive Income (OCI).

##### **III. Financial Assets Measured at Fair Value Through Profit or Loss:**

The bank classifies the financial assets as fair value through profit or loss if they are held for trading or designated at fair value through profit or loss.

Any other financial asset not classified as either amortized cost or FVTOCI, is classified as FVTPL.

**Financial Liabilities are classified under two categories as required by NFRS 9, namely:**

##### **I. Financial Liabilities Measured at Fair Value Through Profit or Loss:**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Upon initial recognition, transaction cost directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss.

## **II. Financial Liabilities Measured at Amortized Cost:**

All financial liabilities other than measured at fair value through profit or loss are classified as subsequently measured at amortized cost using effective interest method.

### **a. De-recognition**

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expires.

### **b. Determination of Fair Value**

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Bank follows three levels of the fair-value-hierarchy are described below:

Level 1: Quoted (unadjusted) prices for identical assets or liabilities in active markets;

Level 2: Significant inputs to the fair value measurement are directly or indirectly observable or valuations of quoted for similar instrument in active markets or quoted prices for identical or similar instrument in inactive markets; and

Level 3: Significant inputs to the fair value measurement are unobservable.

Investment in Unquoted Equity Instrument are carried at cost as the market price of such shares could not be ascertained with certainty at the reporting date.

### **c. Impairment**

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Statement of Profit or Loss. The Management's judgment is extensively used in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the provisions made.

The individual impairment provision applies to financial assets evaluated individually for impairment and is based on Management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, Management makes judgments about a borrower's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits and the workout strategy and estimate of cash flows considered recoverable.

Individual assessment of impairment of exposures means establishing whether objective evidence of impairment exists, estimation of the present value of future cash flows, and calculation of the value of impairment for each individual receivable from the borrower included in this assessment.

The Bank has considered all loans and advances above NPR.50 lakhs and non-performing as per NRB Directive loan for individual assessment of impairment. The bank determines, for each individual loan to be assessed for individual impairment, whether they expect to collect their receivables from expected future cash flows (going concern) or from collateral realization (gone concern). If the Bank identifies objective evidence of impairment, the bank indicates, at single debtor level, the most realistic sources of repayment (collection approach/strategy) based on all available information regarding such borrower's financial position and performances. The Bank assesses whether collection will be made from the borrower's expected future operating cash flows (borrower continues to perform business activities – going concern) or on the basis of collateral enforcement and realization (expectation that the borrower ceases to exist – gone concern). In both cases, the Bank uses conservative assumptions relating to the estimation of the expected cash flows, taking into account current economic conditions and the Bank's own economic forecasts.

A collective impairment provision is established for:

- i. Groups of homogeneous loans and advances and investment securities which are held-to-maturity, that are not considered individually significant; and
- ii. Groups of assets that are individually significant but that were not found to be individually impaired.

For the purpose of collective assessment of impairment bank has categorized assets into following broad products as follows:

- Deprived Sector Loan
- Wholesale Lending
- Home Loan
- Real Estate Loan
- Education Loan
- Hire Purchase Loan
- Personal Loan
- Loan Against FDR
- Gold And Silver Loan
- Tourism Loan
- Foreign Employment Loan
- Business Loan
- Agricultural Loan
- Margin Lending
- Industry Loan
- Guarantee Loan

The collective provision for groups of homogeneous loans is established using statistical methods based on historical loss rate experience, Loss Given Default (LGD) and Probability of Default (PD) computed using the statistical analysis of historical data on delinquency to estimate the amount of loss for each class of portfolio selected on the basis of its product, risk factor, collateral coverage, exposure group etc. Management applies judgment to ensure that the estimate of loss arrived at, on the basis of historical information is appropriately adjusted to reflect the economic conditions and portfolio factors as at the reporting date. The loss rates are regularly reviewed against actual loss experience.

#### **3.4 Trading Assets**

Financial assets are classified as trading assets (held for trading) if they have been acquired principally for the purpose of selling in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short- term profit taking. They are recognized on trade date, when the bank enters into contractual arrangements with counterparties, and are normally derecognized when sold. They are initially measured at fair value, with transaction costs taken to profit or loss. Subsequent changes in their fair values are recognized in profit or loss.

#### **3.5 Derivative Assets and Derivative Liabilities**

Derivative instruments include transactions like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes. Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. The Bank does not have any derivative instrument during the reporting period.

#### **3.6 Property & Equipment**

All property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight- line method to allocate their cost to their residual values over their estimated useful lives, as follows:

<b>Particulars</b>	<b>No. of Years</b>
Computer and Accessories	5
Furniture and Fixtures	7
Office Equipment	7
Vehicles	7
Leasehold Properties	10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The value of the assets fully depreciated but continued to be in use is considered not material.

Assets with costs less than NPR 5,000 are charged off on purchase as revenue expenditure.

### **3.7 Intangible Assets**

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalized where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are amortized over the period of 5 years in Straight Line method (SLM).

Costs associated with maintaining software are recognized as an expense as incurred.

### **3.8 Investment Property**

Investment properties are land or building or both other than those classified as property and equipment under NAS 16 – “Property, Plant and Equipment”; and assets classified as non-current assets held for sale under NFRS 5 – “Non-Current Assets Held for Sale and Discontinued Operations”. Land and Building acquired as non-banking assets are recognized as investment property.

Such investment properties have been measured at lower of loan outstanding amount or fair market value of the collateral at the time of recognition in line with NRB Directives. No depreciation is charged in investment property as they are not intended for the owner-occupied use.

### **3.9 Income Tax**

Tax expenses comprises of current tax and deferred tax.

#### **Current tax**

Current tax is the income tax expense recognized in Statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income. Current tax is the amounts expected or paid to Inland Revenue Department in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years. Details of Current tax are presented in *Schedule 4.41*.

#### **Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the group has a legal right to offset. Details of Deferred tax are presented in *Schedule 4.15*.

### **3.10 Deposit, Debts Securities Issued and Subordinated Liabilities.**

#### **i. Deposits**

The Bank accepts deposits from its customers under account, current, term deposits and margin accounts which allows money to be deposited and withdrawn by the account holder. These transactions are recorded on the Bank's books, and the resulting balance is recorded as a liability for the Bank and represents the amount owed by the Bank to the customer.

#### **ii. Debt Securities Issued**

It includes debentures, bonds or other debt securities issued by the Bank. Deposits, debt securities issued, and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the group

designates liabilities at fair value through profit or loss. However, debentures issued by the Bank are subordinate to the deposits from customer.

**iii. Subordinated Liabilities**

Subordinated liabilities are those liabilities which at the event of winding up are subordinate to the claims of depositors, debt securities issued and other creditors. The Bank does not have any of such subordinated liabilities.

**3.11 Provisions, Contingent Liabilities and Contingent Assets**

The Bank recognizes a provision if, as a result of past event, the Bank has a present constructive or legal obligation that can be reliably measured and it is probable that an outflow of economic benefit will be required to settle the obligation.

A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

A provision for onerous contract is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed. Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs. Details of Provisions, Contingent Liabilities and Contingent Assets are presented in Schedule 4.28.

**3.12 Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

**a. Interest Income**

Interest Income include interest income on loan and advance, investment securities except on those investment securities measure at fair value through profit or loss, cash and cash equivalent, due from Nepal Rastra Bank, due from BFIs, loan and advances to staff etc.

Interest income on loans and advances is recognized on amortized principal which is nearer to the effective interest method suggested by NFRS. The adoption of effective interest method is not possible due to constraints of time, effort and cost in short term compared to the benefits it provides. Benefit of carve out has been applied to this effect. Interest of loans and advances which are significantly impaired are not recognized. Furthermore, the interest income has not been recognized where the loan's contractual payments of principal/and or interest are more than 12 months in arrears, irrespective of the net realizable value of the collateral as guided by the Guidelines issued by NRB.

Interest income on government bond, treasury bills and bank balances are recognized under effective interest method.

**b. Fees and commissions**

Fees and commissions are generally recognized on an accrual basis when the service has been provided or significant act performed. Service fee income/expenses are recognized on accrual basis unless it is impracticable to recognize as allowed through carve-out on NFRS.

**c. Dividend Income**

Dividend income is recognized when the Bank's right to receive the payment is established, which is generally when the shareholders approve the dividend.

**d. Net Trading Income**

Net trading income includes all gains and losses from changes in fair value and the related interest income or expense and dividends, for financial assets and financial liabilities held for trading.

### **3.13 Interest Expense**

Interest expense on all financial liabilities including deposits are recognized in profit or loss using effective interest rate method. Interest expense on all trading liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

### **3.14 Employee Benefits**

#### **a. Short term employee benefits**

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is also recognized for the amount expected to be paid under bonus required by the Bonus Act, 2030 to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably under short term employee benefits.

Short-term employee benefits include all the following items (if payable within 12 months after the end of the reporting period):

- wages, salaries and social security contributions,
- paid annual leave and paid sick leave,
- profit-sharing and bonuses and non-monetary benefits

#### **I. Post-Employment Benefits**

Post-employment benefit plan includes the followings;

#### **II. Defined Contribution Plans**

A defined contribution plan is a post-employment benefit plan under which a Bank pays fixed contribution into a separate Bank (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

#### **Provident Fund**

The Bank deducts ten percent of the basic remuneration of each labor, add cent percent to that amount and deposit the total amount for the purpose of provident fund. The above expenses are identified as contributions to 'Defined Contribution Plans' as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

#### **Gratuity**

The Bank has followed Defined Contribution Plan from 2075/10/01. Provision for Gratuity has been deposited as per the Labor Act 2074. The Bank has followed following rate to deposit the gratuity:

- For the employee who have worked first 15 years or less than that, gratuity is provided at 8.33% of the basic remuneration of each month.
- For the employee who have worked above 15 years and up to 20 years, gratuity is provided at 12.50% of the basic remuneration of each month.
- For the employee who have worked above 20 years, gratuity is provided at 16.67% of the basic remuneration of each month.

#### **a. Defined Benefit Plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value.

Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on corporate bonds, that have maturity dates approximating the terms of the bank's obligation and that are denominated in the currency in which the benefits are expected to be paid.

**b. Termination Benefits**

Termination benefits are recognized as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

**3.15 Leases**

Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless either:

- Another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or
- The payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

Majority of lease agreements entered by the Banks are with the clause of normal increment of 5%-15% p.a. which the management assumes are in line with the lessor's expected inflationary cost increases.

**3.16 Foreign Currency Translation**

The financial statements are presented in Nepalese Rupees (NPR). Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the Statement of Financial Position date.

**3.17 Share Capital and Reserves**

Equity is the residual interest in the total assets of the Bank after deducting all of its liability. Shares are classified as equity when the Bank has an unconditional right to avoid delivery of cash or another financial asset, that is, when the dividend and repayment of capital are at the sole and absolute discretion of the Bank and there is no contractual obligation whatsoever to that effect.

Reserves are the allocation out of profit or retained earnings. These are created as statutory requirement, accounting standard requirement and the bank's own requirement. *Details of share capital and reserves are provided in Schedule 4.27.*

**3.18 Earnings per Share (EPS) and Diluted EPS**

The Bank presents basic and diluted Earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period. The number of shares is taken as the weighted average number of shares for the relevant period as required by NAS 33 - Earnings per Share.

Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

Earnings per share are disclosed in the Statement of Profit or Loss.

**3.19 Events after interim period**

There were no material events subsequent to the date of the condensed statement of financial position that require disclosure or adjustments to the unaudited interim financial statements.

**3.20 Effect of changes in the composition of the entity during the interim period including merger and acquisition**

There are no merger or acquisitions transaction during the interim reporting period ended Poush 2081

**3.21 Comparative Figures**

Previous year figures have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

**Additional Disclosure as per Securities Registration and Issuance  
Regulation - 2073 (Sub-Rule (1) of Rule 26, Annex 14) for  
Third Quarter of FY 2081/82**

**A. Financial Statement**

- i) Statement of Financial Position and Statement of Profit or Loss published along with this report.
- ii) Key financial indicators and ratios

Earnings per share	Rs.16.28
Return on Equity (ROE) (Annualized)	10.93%
Price Earnings Ratio (P/E Ratio)	24.51
Net Worth per Share	Rs.152.56
Liquidity Ratio	24.81%
Total Assets per Share	Rs.1787.72
Capital Adequacy Ratio	13.70%

**B. Related Party Disclosure**

Parties are considered to be related if any one party has the ability to control the other party or exercise the significant influence over the other party in making or operation decision. The Development Bank do not have the related party, therefore there is no such transaction.

**C. Management Analysis**

- i) The Development Bank has been focusing on cost management, diversified investments, technological up-gradation, and optimum utilization of resources and automation of work.
- ii) Deposits have been increased by 1.84% and Loans and Advances has been increased by 4.23% till the quarter end with reference to immediate previous year ending.
- iii) The Development Bank is improvising its IT Infrastructure as well and adopting digitization.
- iv) The Development Bank aims to achieve its financial goals through sustainable profitability and measured growth in balance sheet size. Our business models remain robust and we continue to seek sound growth with a high degree of customers' satisfaction.

**D. Details to Legal Action**

- i) Except in the normal course of business, no lawsuit of material nature has been filed by or against the bank during the review quarter period.
- ii) No legal suit related to criminal activity has been filed by or against the directors and promoters of the Development Bank during the period.
- iii) No legal suit has been filed against any director of the organization for any kind actions related to financial crime.

**E. Analysis of share transaction and progress of the Development Bank**

- i) Management view on share transaction of the Development Bank at securities market- since price and transaction of the Development Bank's shares are being determined at Nepal Stock Exchange through open share market operation, management view on this is neutral.
- ii) Maximum, Minimum and last share price of the Development Bank including total number of shares traded and days of transaction during the quarter.

Maximum Value (Rs.)	Minimum Value (Rs.)	Last Price (Rs.)	Transaction volume (No. of shares)	Days of Transaction
455.00	379.00	399.10	2,745,349.00	56

**F. Problem and Challenges**

**Internal**

- Digital operation risk
- Low credit demand
- Assets quality management
- Challenges in increasing non-interest revenue
- Timely recovery of loans
- Recruitment and retention of quality human resources.

**External**

- Challenges in credit growth due to slow economic activities.
- Changing regulatory framework and its timely adaptation.
- Political instability and current national economic status have resulted distress in the business environment.
- Global economy, inflation and war has an adverse effect on national economy resulting price hikes.

**G. Strategy**

- Digital awareness and financial literacy.
- Efficient management of assets and liabilities.
- Focus on NPL and NBA management.
- Focus on internal control and comprehensive risk management.
- Closely monitoring internal and external environment changes and adopting proactive approaches.
- Different strategies around marketing, innovation and digital banking.
- Developing human resources through online trainings and motivating them for growth.

**H. Corporate Governance**

i) Board of Directors

Committees like Risk Management Committee, Employee Service & Benefit Committee, Audit Committee, AML/CFT Committee have been constituted to carry out banking operations and these committees have been involved in major policy/plans related decisions.

ii) Internal control System

In order to strengthen the internal control mechanism of the Development Bank, a separate independent Internal Audit Department has been established. The Department carries out audit of various auditable areas on a continuous manner and makes necessary recommendations to Audit Committee. Accordingly, Audit Committee holds regular meetings to analyze the recommendation and bring about necessary changes.

iii) Internal policies, Regulations and Directives

In order to carry out various functionalities smoothly and to mitigate risks emanating from business functions, the Development Bank has installed a sound operations system. All activities of the Development Bank are guided by strong internal policies, manuals and guidelines which are reviewed on a periodic basis to address new developments and requirements. The Development Bank has Compliance Department to monitor compliance with all regulatory and statutory requirements.

**I. Declaration by the Chief Executive Officer on the truthfulness and accuracy of information**

I hereby declare that all the information provided in this document is true, complete and factual and that I take personal responsibility to any deviations thereof. I also declare that the Development Bank's information or data that assists investors make their investment decisions have not been concealed in any way.