



सांग्रिला डेभलपमेन्ट बैंक लि.
Shangri-la Development Bank Ltd.
स्थानिय विकाशको आधार

INTERIM FINANCIAL STATEMENTS

AS ON POUISH END 2079



Shangrila Development Bank Limited
Statement of Financial Position
As on 30 Poush 2079(14 January 2023)

Amount in NPR

	This Quarter Ending	Immediate Previous Year Ending
Assets		
Cash and cash equivalent	3,706,750,067.24	6,052,106,223.86
Due from Nepal Rastra Bank	1,921,745,441.37	1,450,383,702.61
Placement with Bank and Financial Institutions	-	-
Derivative financial instruments.	-	-
Other trading assets	-	-
Loan and advances to B/FIs	2,841,944,055.31	2,884,815,785.74
Loans and advances to customers	41,221,825,705.21	40,764,941,616.57
Investment securities	7,643,500,286.91	7,478,114,734.73
Current tax assets	283,311,633.70	-
Investment in subsidiaries	-	-
Investment in associates	-	-
Investment property	120,193,055.01	157,077,355.01
Property and equipment	422,320,540.07	439,584,189.75
Goodwill and Intangible assets	9,910,862.80	5,134,573.55
Deferred tax assets	49,134,708.44	47,447,841.53
Other assets	210,534,228.06	165,712,094.80
Total Assets	58,431,170,584.12	59,445,318,118.15
Liabilities		
Due to Bank and Financial Institutions	2,363,436,785.24	3,429,749,960.53
Due to Nepal Rastra Bank	78,817,000.00	1,744,042,277.00
Derivative financial instruments	-	-
Deposits from customers	50,039,054,080.39	48,775,395,145.94
Borrowing	-	-
Current Tax Liabilities	-	15,758,545.69
Provisions	-	-
Deferred tax liabilities	-	-
Other liabilities	852,549,616.44	545,686,223.14
Debt securities issued	746,550,492.77	746,550,492.77
Subordinated Liabilities	-	-
Total liabilities	54,080,407,974.84	55,257,182,645.06
Equity		
Share capital	3,010,669,662.01	3,010,669,662.01
Share premium	-	-
Retained earnings	278,229,371.26	270,746,075.13
Reserves	1,061,863,576.01	906,719,735.94
Total equity attributable to equity holders	4,350,762,609.29	4,188,135,473.09
Non-controlling interest	-	-
Total equity	4,350,762,609.29	4,188,135,473.09
Total liabilities and equity	58,431,170,584.12	59,445,318,118.15



Shangri-la Development Bank Ltd.
Statement of Profit or Loss
For the Quarter Ended 30 Poush 2079(14 January 2023)

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter	This Quarter	Upto This Quarter
	Amount in NPR			
Interest income	1,786,314,620.39	3,573,522,591.25	1,313,603,099.80	2,426,802,894.68
Interest expense	1,341,463,942.34	2,659,943,384.55	882,807,044.86	1,630,919,227.81
Net interest income	444,850,678.05	913,579,206.70	430,796,054.94	795,883,666.87
Fee and commission income	32,920,791.39	82,084,408.25	55,383,828.61	130,447,366.42
Fee and commission expense	4,598,597.66	7,745,551.25	3,853,028.33	6,454,944.78
Net fee and commission income	28,322,193.73	74,338,857.00	51,530,800.28	123,992,421.64
Net interest, fee and commission income	473,172,871.78	987,918,063.70	482,326,855.22	919,876,088.51
Net trading income	-	-	-	-
Other operating income	275,793.89	1,427,025.24	(31,386.19)	9,886,514.14
Total operating income	473,448,665.67	989,345,088.94	482,295,469.03	929,762,602.65
Impairment charge/(reversal) for loans and other losses	62,137,330.15	251,915,052.84	(97,298,347.25)	34,900,709.01
Net operating income	411,311,335.52	737,430,036.10	579,593,816.28	894,861,893.64
Operating expense				
Personnel expenses	150,735,855.01	296,307,120.19	171,884,744.86	311,324,309.26
Other operating expenses	77,631,940.47	154,691,346.57	88,217,597.88	163,742,069.57
Depreciation & Amortisation	24,029,598.24	47,491,575.74	23,129,716.99	45,666,795.93
Operating Profit	158,913,941.80	238,939,993.60	296,361,756.55	374,128,718.87
Non operating income	10,004.41	27,930.73	30,290.00	34,790.00
Non operating expense	42,187.18	1,020,554.34	119,532.32	131,405.70
Profit before income tax	158,881,759.03	237,947,369.99	296,272,514.23	374,032,103.17
Income tax expense	47,664,527.71	71,384,211.00	88,881,754.27	112,209,630.95
Current Tax	47,664,527.71	71,384,211.00	88,881,754.27	112,209,630.95
Deferred Tax Income / Expenses				
Profit for the year	111,217,231.32	166,563,159.00	207,390,759.96	261,822,472.22



Shangri-la Development Bank Ltd
Statement of Other Comprehensive Income
For the Quarter Ended 30 Poush 2079(14 January 2023)

NPR

Particulars	Bank		NPR	
	Current Year		Previous Year Corresponding	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Profit or loss for the year	111,217,231.32	166,563,159.00	207,390,759.96	261,822,472.22
Other comprehensive income				
a) Items that will not be reclassified to Profit or loss				
• Gains/(losses) from Investments in equity instruments measured at fair value	37,254,474.61	(5,622,889.71)	(8,767,082.78)	(23,853,736.03)
• Gains/(losses) on revaluation	-	-	-	-
• Actuarial gains/(losses) on defined benefit plans	-	-	-	-
• Income tax relating to above items	(11,176,342.38)	1,686,866.91	2,630,124.83	7,156,120.81
Net other comprehensive income that will not be reclassified to profit or loss	26,078,132.23	(3,936,022.80)	(6,136,957.95)	(16,697,615.22)
b) Items that are or may be reclassified to profit or loss				
• Gains/(losses) on cash flow hedge				
• Exchange gains/(losses) (arising from trasalating financial assets of foreign operation)				
• Income tax relating to above items				
• Reclassify to profit or loss				
Net other comprehensive income that are or may be reclassified to profit or loss	-	-	-	-
c) Share of other comprehensive income of associate accounted as per equited method				
Other comprehensive income for the period, net of income tax	26,078,132.23	(3,936,022.80)	(6,136,957.95)	(16,697,615.22)
Total comprehensive income for the period	137,295,363.55	162,627,136.20	201,253,802.01	245,124,857.00
Total comprehensive income attributable to:				
Equity holders of the Bank	137,295,363.55	162,627,136.20	201,253,802.01	245,124,857.00
Non-controlling interest				
Total comprehensive income for the period	137,295,363.55	162,627,136.20	201,253,802.01	245,124,857.00
Condensed Statement of Other Comprehensive Income				
Profit for the period	111,217,231.32	166,563,159.00	207,390,759.96	261,822,472.22
Total Other comprehensive income	26,078,132.23	(3,936,022.80)	(6,136,957.95)	(16,697,615.22)
Total Comprehensive income for the period	137,295,363.55	162,627,136.20	201,253,802.01	245,124,857.00
Profit attributable to:				
Equity holders of the bank	137,295,363.55	162,627,136.20	201,253,802.01	245,124,857.00
Non-controlling interest				
Profit for the period	137,295,363.55	162,627,136.20	201,253,802.01	245,124,857.00
Earning per share				
Basic earning per share		11.06		17.39
Diluted earning per share		11.06		17.39

RATIOS AS PER NRB DIRECTIVE

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
	Capital Fund to RWA		11.78%	
Non Performing Loan (NPL) to Total Loan		3.36%		1.15%
Total Loan Loss Provision to total NPL		80.53%		159.45%
Cost of Funds		10.43%		7.43%
Credit to Deposit Ratio		81.82%		85.65%
Base Rate		12.88%		10.08%
Interest Spread Rate		4.87%		4.37%



Shangrila Development Bank Limited
Statement of cash flows
As on 30 Poush 2079(14 January 2023)

	<i>Amount in NPR</i>	
	Current Year	Previous Year
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	3,306,758,376.15	5,460,779,416.68
Fees and other income received	(150,970,617.63)	(36,264,972.28)
Dividend received	-	-
Receipts from other operating activities	-	-
Interest paid	(2,608,999,884.00)	(3,802,043,725.52)
Commission and fees paid	(7,745,551.25)	(14,539,960.31)
Cash payment to employees	(294,302,275.68)	(565,487,181.83)
Other expense paid	193,403,588.07	71,514,179.89
Operating cash flows before changes in operating assets and liabilities	438,143,635.66	1,113,957,756.63
(Increase)/Decrease in operating assets		
Due from Nepal Rastra Bank	(471,361,738.76)	39,428,542.83
Placement with bank and financial institutions	-	5,547,187.75
Other trading assets	-	-
Loan and advances to bank and financial institutions	44,025,932.57	197,047,598.48
Loans and advances to customers	(443,189,128.52)	(7,563,137,887.29)
Other assets	(139,002,019.65)	(216,051,934.98)
	(1,009,526,954.36)	(7,537,166,493.21)
Increase/(Decrease) in operating liabilities		
Due to bank and financial institutions	(1,066,313,175.29)	2,377,457,255.39
Due to Nepal Rastra Bank	(1,665,225,277.00)	993,578,505.98
Deposit from customers	1,263,658,934.45	6,978,045,105.29
Borrowings	-	-
Other liabilities	-	-
	(1,467,879,518)	10,349,080,867
Net cash flow from operating activities before tax paid	(2,039,262,837)	3,925,872,130
Income taxes paid	(370,454,390.39)	(242,640,915.33)
Net cash flow from operating activities	(2,409,717,227)	3,683,231,214.75
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(171,008,441.89)	(3,025,203,101.93)
Receipts from sale of investment securities	-	8,799,067.01
Purchase of property and equipment	(36,036,015.68)	(517,199,425.17)
Receipt from the sale of property and equipment	-	2,001,259.00
Purchase of intangible assets	-	(2,959,458.70)
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	36,884,300.00	(157,077,355.01)
Receipt from the sale of investment properties	-	-
Interest received	233,632,918.35	245,750,161.83
Dividend received	888,309.53	2,921,702.27
Net cash used in investing activities	64,361,070.31	(3,442,967,150.69)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities	-	746,285,578.30
Repayment of debt securities	-	-
Receipt from issue of subordinated liabilities	-	-
Repayment of subordinated liabilities	-	-
Receipt from issue of shares	-	-
Dividends paid	-	(26,353,025.11)
Interest paid	-	-
Other receipt/payment	-	-
Net cash from financing activities	-	719,932,553.19
Net increase (decrease) in cash and cash equivalents	(2,345,356,157)	960,196,617.25
Cash and cash equivalents at Shrawan, 01, 2079	6,052,106,224	5,091,909,606.61
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
Cash and cash equivalents at 30 Poush, 2079	3,706,750,067	6,052,106,223.86



Statement of Distributable profit
As on Quarter Ended 30 Poush 2079 (As per NRB Regulation)

Particulars	Amount in NPR Bank Amount
Net profit or (loss) as per statement of profit or loss	166,563,159.00
Adjustment	270,746,075.13
<u>Appropriations:</u>	
a. General reserve	(33,312,631.80)
b. Foreign exchange fluctuation fund	(137,490.44)
c. Capital redemption reserve	-
d. Corporate social responsibility fund	(1,665,631.59)
e. Employees' training fund	-
f. Investment adjustment fund-write back	-
f. Other	-
	-
Profit or (loss) before regulatory adjustment	402,193,480.30
<u>Regulatory adjustment :</u>	
Transfer to Regulatory Adjustment	(123,964,109.04)
Transfer from Regulatory Adjustment	
Distributable profit or (loss)	278,229,371.26

Note:

All above Financial statement are prepared in accordance with Nepal Financial Reporting Standard (NFRS)

The unaudited Financial Figures are subject to change as instructed by External Auditors and Regulatory Authority.

Loan and Advances includes staff loan and accrued interest receivable on loans and are presented net of loan impairment.

Personnel expenses includes employee bonus calculated as per Bonus act 2030.
Previous year Figure has been restated wherever necessary.



Shangrila Development Bank Limited
Statement of changes in equity
For the Quarter Ended 30 Poush 2079(14 January 2023)

	Share Capital	General Reserve	Exchange Equalisation Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total
Balance at Shrawan 1, 2078	2,736,972,420.00	505,123,252.37	260,404.83	150,705,747.89	(668,165.72)	-	315,918,741.87	4,158,967.52	3,712,471,368.75
Adjustment/Restatement	-	-	-	-	-	-	-	-	-
Adjusted/Restated balance at Shrawan 1, 2078	2,736,972,420.00	505,123,252.37	260,404.83	150,705,747.89	(668,165.72)	-	315,918,741.87	4,158,967.52	3,712,471,368.75
Comprehensive income for the year	-	-	-	-	-	-	-	-	-
Profit for the year as per Report (NFRS)	-	-	-	-	-	-	522,918,427.88	-	522,918,427.88
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	(32,849,205.56)	-	-	-	(32,849,205.56)
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)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(32,849,205.56)	-	522,918,427.88	-	490,069,222.32
Transfer to General Reserve	-	104,583,685.58	-	-	-	-	(104,583,685.58)	-	-
Transfer From General Reserve	-	-	-	-	-	-	-	-	-
Exchange Fluctuation Fund	-	-	338,684.86	-	-	-	(338,684.86)	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	-	-
Institution CSR Fund	-	-	-	-	-	-	(979,818.63)	979,818.63	-
Utilization of Institution CSR Fund	-	-	-	-	-	-	-	-	-
Staff Training Fund	-	-	-	-	-	-	(1,897,672.41)	1,897,672.41	-
Utilization of Staff Training Fund	-	-	-	-	-	-	-	-	-
Transfer To/from Regulatory reserve during the year	-	-	-	-	-	-	-	-	-
Deferred Tax Reserve	-	-	-	21,036,658.42	-	-	(21,036,658.42)	-	-
Interest Receivable	-	-	-	19,344,275.51	-	-	(19,344,275.51)	-	-
Fair Value Reserve	-	-	-	32,849,205.56	-	-	(32,849,205.56)	-	-
Non Banking Assets	-	-	-	98,958,733.66	-	-	(98,958,733.66)	-	-
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-
Share Issued	-	-	-	-	-	-	-	-	-
Share Issue Expenses	-	-	-	-	-	-	-	-	-
Tax On Share Issue Expenses	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-
Bonus shares issued	273,697,242.00	-	-	-	-	-	(273,697,242.00)	-	-
Cash dividend paid	-	-	-	-	-	-	(14,405,118.00)	-	(14,405,118.00)
Other	-	-	-	-	-	-	-	-	-
Total contributions by and distributions	-	-	-	-	-	-	-	-	-
Balance at 31 Ashad, 2079	3,010,669,662.00	609,706,937.95	599,089.69	322,894,621.03	(33,517,371.28)	-	270,746,075.13	7,036,458.56	4,188,135,473.08



Shangrila Development Bank Limited
Statement of changes in equity
For the Quarter Ended 30 Poush 2079(14 January 2023)

	Share Capital	General Reserve	Exchange Equalisation Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total
Balance at Shrawan 1, 2079	3,010,669,662.00	609,706,937.95	599,089.69	322,894,621.03	(33,517,371.28)	-	270,746,075.13	7,036,458.56	4,188,135,473.08
Adjustment/Restatement	-	-	-	-	-	-	-	-	-
Adjusted/Restated balance at Shrawan 1, 2079	3,010,669,662.00	609,706,937.95	599,089.69	322,894,621.03	(33,517,371.28)	-	270,746,075.13	7,036,458.56	4,188,135,473.08
Comprehensive income for the year	-	-	-	-	-	-	-	-	-
Profit for the year as per Report (NFRS)	-	-	-	-	-	-	166,563,159.00	-	166,563,159.00
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	(3,936,022.80)	-	-	-	(3,936,022.80)
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)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(3,936,022.80)	-	166,563,159.00	-	162,627,136.20
Transfer to General Reserve	-	33,312,631.80	-	-	-	-	(33,312,631.80)	-	-
Transfer From General Reserve	-	-	-	-	-	-	-	-	-
Exchange Fluctuation Fund	-	-	137,490.44	-	-	-	(137,490.44)	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	-	-
Institution CSR Fund	-	-	-	-	-	-	(1,665,631.59)	1,665,631.59	-
Utilization of Institution CSR Fund	-	-	-	-	-	-	-	-	-
Staff Training Fund	-	-	-	-	-	-	-	-	-
Utilization of Staff Training Fund	-	-	-	-	-	-	-	-	-
Transfer To/from Regulatory reserve during the year	-	-	-	-	-	-	-	-	-
Deferred Tax Reserve	-	-	-	1,686,866.91	-	-	(1,686,866.91)	-	-
Interest Receivable	-	-	-	141,578,328.33	-	-	(141,578,328.33)	-	-
Fair Value Reserve	-	-	-	3,936,022.80	-	-	(3,936,022.80)	-	-
Non Banking Assets	-	-	-	(23,237,109.00)	-	-	23,237,109.00	-	-
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-
Share Issued	-	-	-	-	-	-	-	-	-
Share Issue Expenses	-	-	-	-	-	-	-	-	-
Tax On Share Issue Expenses	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total contributions by and distributions	-	-	-	-	-	-	-	-	-
Balance at 30 Poush, 2079	3,010,669,662.00	643,019,569.75	736,580.12	446,858,730.07	(37,453,394.08)	-	278,229,371.26	8,702,090.15	4,350,762,609.28



Shangri-la Development Bank Limited
Notes To The Financial Statements
As on 30 Poush 2079(14 January 2023)

1. Reporting Entity

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. It’s registered corporate office is at Baluwatar Kathmandu, Nepal. At present Shangri-la Development Bank Ltd. is one of the largest National level Development Bank with Branch network of 112 branches.

The Bank is listed on Nepal Stock Exchange and its stock symbol is “SADBL”.

2. Basis of Preparation

The interim financial statements of the Bank have been prepared in accordance with Nepal Financial Reporting Standards (NFRS), including the carve-outs issued by the Institute of Chartered Accountants of Nepal on 20th September 2018. The disclosures made in the condensed interim financial information have been limited based on the format prescribed by Nepal Rastra Bank through NRB Directive 2078 and circulars issued thereon. The corresponding previous year figures are not audited.

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

2.1. Statement of Compliance

The financial statements have been prepared and approved by the Board of Directors in accordance with Company Act, Banking and Financial Institutions 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, 2078.

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.



Shangri-la Development Bank Limited
Notes To The Financial Statements (Continued..)

Going Concern

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 in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the bank ability to continue as a going concern. Therefore, financial statements of the bank continue to be prepared on a going concern basis.

2.4. Reporting Pronouncements

The interim financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) and carve-outs issued by the Institute of Chartered Accountants of Nepal on 20th September 2018 on NFRS requirement, which allowed alternative treatments and the bank adopted following carve outs:

2.4.1. Impairment

In para 58 of NAS 39 Financial Instrument Recognition and Measurement, an entity shall assess at the end of each reporting period whether there is any objective evidence that financial asset measured at amortized cost is impaired. If any such evidence exists, the entity shall apply *Incurred Loss Model* as per para 63 of NAS 39; to determine the amount of any impairment loss unless the entity is bank or financial institutions registered as per Bank and Financial Institutions Act, 2073.

Such entities shall measure impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per para 63 of NAS 39; and shall apply para 63 of NAS 39 to measure the impairment loss on financial assets other than loan and advances.

The entity shall disclose the impairment loss as per this carve-out and the amount of impairment loss determined as per paragraph 63.

2.4.2. Impracticability To Determine Interest Income On Amortized Cost

In para AG 93 of NAS 39, once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income shall be calculated by applying effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.

2.4.3. Impracticability To Determine Transaction Cost Of All Previous Years Which Is The Part Of Effective Interest Rate

In para 9, the effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received, unless it is immaterial or impracticable to determine reliably, between parties to the contract that are an integral part of the effective interest rate (see NAS 18 Revenue), transaction costs and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).



Shangri-la Development Bank Limited
Notes To The Financial Statements (Continued..)

2.4.4. NAS 28 – “Investments in Associates and Joint Ventures”

Carve out from the requirement for a parent company to account for an associate in its consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances as specified in para 35 of NAS 28 unless it is impracticable to do so. As a result of this alternative treatment, associates are allowed to be presented in the consolidated financial statements without adjustments to the associate’s financial statements which are otherwise required to achieve consistency in accounting policies between the Group entities and associates.

2.5. Discounting

Discounting has been applied where assets and liabilities are non-current, and the impact of the discounting is material.

2.6. Limitation of NFRS Implementation

Wherever the information is not adequately available, and/or it is impracticable to develop such exception to NFRS implementation has been noted and disclosed in respective sections.



Shangri-la Development Bank Limited
Notes To The Financial Statements (Continued..)

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 And 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 recognised in Statement of Profit and 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*).



Shangri-la Development Bank Limited
Notes To The Financial Statements (Continued..)

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 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



Shangri-la Development Bank Limited
Notes To The Financial Statements (Continued..)

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 NRs.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 a 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, 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.



Shangri-la Development Bank Limited
Notes To The Financial Statements (Continued..)

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 recognised 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 recognised 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 recognised 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:

Particulars	No. of Years
Computer and Accessories	5
Furniture and Fixtures	7
Office Equipment	7
Vehicles	7
Lease-hold 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 recognised 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



Shangri-la Development Bank Limited
Notes To The Financial Statements (Continued..)

Operations". Land and Building acquired as non-banking assets are recognised as investment property.

Investment properties are initially measured at cost, including transaction costs. Subsequently all investment properties are reported at fair value with any gains or losses in fair value reported in the statement of profit and loss as they arise. No depreciation is charges 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 is recognized in the 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.

Deferred tax

Deferred tax is recognised 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 recognised for all taxable temporary differences and deferred tax assets are recognised 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.

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.



Shangri-la Development Bank Limited
Notes To The Financial Statements (Continued..)

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 reliability 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.

3.12. Revenue Recognition

Revenue is recognised 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 recognised.

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 cave 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 recognised 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 recognised when the Bank's right to receive the payment is established, which is generally when the shareholders approve the dividend.



Shangri-la Development Bank Limited
Notes To The Financial Statements (Continued..)

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

Bank deduct ten percent of the basic remuneration of each labour, 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

Bank have followed Defined Contribution Plan dated from 2075/10/01. Provision for Gratuity has been deposited as per the Labor act 2074. Bank have 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 upto 20 years, gratuity is provided at 12.50% of the basic remuneration of each month
- For the employee who have worked Above 15 years and upto 20 years, gratuity is provided at 16.67% of the basic remuneration of each month



Shangri-la Development Bank Limited
Notes To The Financial Statements (Continued..)

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 recognised 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 recognised 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

Bank assess whether the contract is, or contains, a lease at the inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Bank have implemented Finance Lease as per NFRS 16 and recognizes Right of use Asset and a Lease Liability.

A lessee shall measure the right-of-use asset at cost during initial measurement. The cost of the right-of-use asset shall comprise the amount of the initial measurement of the lease liability. A lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date during the initial measurement of the lease liability. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

After the commencement date, a lessee shall measure the right-of-use asset applying a cost model, unless it applies either of the measurement models. As per Cost Model, a lessee shall measure the right-of-use asset at cost:

- a. less any accumulated depreciation and any accumulated impairment losses; and
- b. Adjusted for any remeasurement of the lease liability.

A lessee shall apply the depreciation requirements in NAS 16 Property, Plant and Equipment in depreciating the right-of-use asset. The lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

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.



Shangri-la Development Bank Limited
Notes To The Financial Statements (Continued..)

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 bank's own requirement.

3.18. Earnings per Share (EPS) and diluted EPS

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 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 and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

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 2079.

Additional Disclosure as per Securities Registration and Issuance
Regulation - 2073 (Sub-Rule (1) of Rule 26, Annex 14) for
Second Quarter of FY 2079/80

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. 11.06
Price Earnings Ratio (P/E Ratio)	30.73
Net Worth per Share	Rs. 144.51
Liquidity Ratio	23.84%
Total Assets per Share	Rs. 1940.80
Capital Adequacy Ratio	11.78%

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) Total deposits (Deposits from customer) have been increased by 2.59% and Loans and Advances (Loans to customer) has been increased by 1.12% 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 bank

- i) Management view on share transaction of the bank at securities market- since price and transaction of the 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	Minimum Value	Last Price	Transaction volume (No. of shares)	Days of Transaction
367.2	277	340	1,515,607	52

F. Problem and Challenges

Internal

- Increased cost of operation
- Challenges in increasing non-Interest revenue
- Timely recovery of Loans
- Recruitment and retention of quality human resources.

External

- Adverse impact of global pandemic COVID-19 on various sectors of economy resulting into problem in recovery. Due to this the default in credit portfolio may increase.
- Pressure in liquidity and loanable Fund.
- Cost of deposit/fund is increasing in the banking sector.
- 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

- Better management of assets and liabilities.
- Focus on investment diversification
- 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.
- Focus on business continuity planning as the COVID-19 may have a far reaching and deep impact on overall economy.

H. Corporate Governance

i) Board of Directors

Committees like Risk Management Committee, Human Resource 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 Bank, a separate independent internal audit department has been established. The internal audit 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 bank has installed a sound operations system. All activities of the bank are guided by strong internal policies, manuals and guidelines which are reviewed on a periodic basis to address new developments and requirements. The bank has a system 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.