

**SHANGRI-LA DEVELOPMENT BANK LTD.**

**DISCLOSURE UNDER BASEL II**

The extract presented hereunder is as per disclosure requirement of Capital Adequacy Framework 2007 (Updated 2008) as issued by Nepal Rastra Bank for the period ended 31th Poush 2079 (14th January 2022).

**1. CAPITAL STRUCTURE & CAPITAL ADEQUACY**

**i. Core Capital (Tier I)**

Particulars		Amount ( in '000)
a	Paid up Equity Share Capital	3,010,669.66
b	Irredeemable Non-cumulative preference shares	-
c	Share Premium	-
d	Proposed Bonus Equity Shares	-
e	Statutory General Reserves	643,019.57
f	Retained Earnings	270,746.08
g	Un-audited current year cumulative profit/(loss)	131,447.41
h	Capital Redemption Reserve	-
i	Capital Adjustment Reserve	-
j	Debenture Redemption Reserve	-
k	Dividend Equalization Reserves	-
l	Other Free Reserve	-
n	Less: Goodwill	-
o	Less: Fictitious Assets	-
p	Less: Investment in equity in licensed Financial Institutions	-
q	Less: Investment in equity of institutions with financial interests	-
r	Less: Investment in equity of institutions in excess of limits	-
s	Less: Investments arising out of underwriting commitments	-
t	Less: Reciprocal crossholdings	-
u	Less: Purchase of land & building in excess of limit and unutilized	-
v	Less: Other Deductions	-
<b>Total Core Capital (Tier I)</b>		<b>4,055,882.71</b>

**ii. Supplementary Capital (Tier II)**

Particulars		Amount ( in '000)
a	Cumulative and/or Redeemable Preference Share	-
b	Subordinated Term Debt	750,000.00
c	Hybrid Capital Instruments	-
d	General loan loss provision	574,984.05
e	Exchange Equalization Reserve	736.58
f	Investment Adjustment Reserve	-
g	Asset Revaluation Reserve	-
h	Other Reserves	-
<b>Total Supplementary Capital (Tier II)</b>		<b>1,325,720.63</b>

**iii. Total Qualifying Capital**

Particulars		Amount ( in '000)
a	Total Core Capital (Tier I)	4,055,882.71

b	Total Supplementary Capital (Tier II)	1,325,720.63
<b>Total Capital Fund (Tier I + Tier II)</b>		<b>5,381,603.34</b>

**iv. Capital Adequacy ratio**

a	Tier 1 Capital to Total Risk Weighted Exposures	8.87%
b	Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures	11.78%

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

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

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

Not Applicable

**2. RISK EXPOSURE**

**i. Risk Weighted Exposures for Credit, Market and Operational Risk**

Particulars		Amount ( in '000)
a	Risk Weighted Exposure for Credit Risk	41,342,946.40
b	Risk Weighted Exposure for Operational Risk	2,439,183.65
c	Risk Weighted Exposure for Market Risk	16,667.73
<b>Total Risk Weighted Exposures for Credit, Market and Operational Risk</b>		<b>43,798,797.78</b>

**ii. Risk Weighted Exposures under each Categories of Credit Risk**

Particulars		Amount ( in '000)
a	Claims on government and central Bank	-
b	Claims on other official entities	-
c	Claims on Banks	1,208,857.40
d	Claims on corporate and securities firms	8,740,614.53
e	Claims on regulatory retail portfolio	11,443,669.81
f	Claims secured by residential properties	4,022,522.90
g	Claims secured by commercial real estate	-
h	Past due claims (except for claim secured by residential properties)	2,390,405.42
i	High risk claims	10,588,954.33
j	Lending Against Securities (Bonds & Shares)	-
k	Lending Against Shares(upto Rs. 2.5 Million)	166,504.26
l	Investment in Equity and other capital instruments of institutions	780,545.21
n	Staff Loan secured by residential properties	408,588.00
o	Other Assets	1,290,541.06
p	Off Balance sheet items	301,743.47
<b>Total Risk Weighted Exposures for Credit Risk</b>		<b>41,342,946.40</b>

**iii. Risk Weighted Exposure Calculation table**

Particulars		Amount ( in '000)
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a	Risk Weighted Exposure for Credit Risk	41,342,946.40
b	Risk Weighted Exposure for Operational Risk	2,439,183.65
c	Risk Weighted Exposure for Market Risk	16,667.73
<b>Total Risk Weighted Exposures (Before adjustments of Pillar II)</b>		<b>43,798,797.78</b>
Adjustments under Pillar II		
a	ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	-
b	Add .....% of the total deposit due to insufficient Liquid Assets	-
c	Add RWE equivalent to reciprocal of capital charge of 2% of gross income	590,232.00
d	Overall risk management policies and procedures are not satisfactory. Add 2% of RWE	1,313,963.93
e	If desired level of disclosure requirement has not been achieved, Add .....% of RWE	-
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)</b>		<b>45,702,993.71</b>

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

Amount ( in '000)

Particulars		Gross Amount	Loan Loss Provision	Net Amount
a	Restructured/Reschedule Loan	-	-	-
b	Substandard Loan	646,447.24	150,265.85	496,181.39
c	Doubtful Loan	709,443.06	342,708.46	366,734.60
d	Loss Loan	107,579.17	103,551.41	4,027.76
<b>Total</b>		<b>1,463,469.47</b>	<b>596,525.72</b>	<b>866,943.74</b>

v. NPA Ratios

Amount ( in '000)

Particulars		Gross/Net NPA	Gross/Net Advances	%
a	Gross NPA to Gross loan and Advances	1,463,469.47	43,561,413.84	3.36%
a	Net NPA to Net loan and Advances	866,943.74	42,382,924.27	2.05%

vi. Movement of Non - Performing Assets

Amount ( in '000)

Particulars		Current Year	Previous Year	Movement
a	Restructured/Reschedule Loan	-	-	-
b	Substandard Loan	646,447.24	381,681.76	264,765.47
c	Doubtful Loan	709,443.06	76,144.46	633,298.60
d	Loss Loan	107,579.17	45,390.34	62,188.83
<b>Total</b>		<b>1,463,469.47</b>	<b>503,216.56</b>	<b>960,252.91</b>

vii. Movement of Loan Loss Provision

Amount ( in '000)

Particulars		Current Year	Previous Year	Movement
a	Loan Loss Provision	1,178,489.57	802,366.28	376,123.29

viii. Movement of Interest Suspense

Amount ( in '000)

Particulars		Current Year	Previous Year	Movement
a	Interest Suspense	593,072.79	-	593,072.79

ix. Write off of Loans and Interest Suspense

Amount ( in '000)

Particulars		Current Year	Previous Year	Movement
a	Write off of Loan	-	-	-
b	Write off of Interest	-	-	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>

**x. Investment Portfolio**

Particulars		Amount ( in '000)
a	Held for maturity	1,623,438.36
b	Held for trading	5,285,035.00
c	Available for sale	652,374.36

**3. RISK MANAGEMENT FUNCTION**

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

**i. Credit Risk**

Bank has put in place a standard procedure regarding documentation procedure, loan appraisal and approval procedure, delegation of authority to different level, disbursement mechanism, monitoring of loans and advances and recovery. Bank has separate Credit Control Unit (CCU) through which the loans are being disbursed irrespective the loan sanctioning authority level. CCU has played vital role in internal check system.

**ii. Operation Risk**

In order to minimize operational risk, bank has been following its operational manual strictly along with NRB Directives and circulars. In addition to strengthen internal control of the bank, internal audit of branches and departments are being conducted in quarterly basis. Further bank has put in place the practice of monthly system review system and daily MIS system for timely information of position bank and detection of errors. Bank has been using various risk mitigating tools like insurance, data back – up, training of staffs etc. Bank has framed AML/ CFT policy to comply with the provisions of NRB and Nepal Government related to AML.

**iii. Market Risk**

Market risk related to interest rate, stock price are being monitored closely by management and discussions are being held in risk management committee in frequent basis.

**iv. Credit Risk Mitigants (CRM)**

Eligible CRM benefits availed.

Particulars		Amount ( in '000)
a	Deposits with Bank	532,447.55
b	Gold	131,749.07
<b>Total</b>		<b>664,196.63</b>