DISCLOSURE AS PER BASEL III
As of Ashad End 2077 (15th July 2020)

1. Capital Management

- **Qualitative disclosures**

The Bank has formulated and implemented the "Integrated ICAAP and Stress Testing Guidelines 2019" which has been approved by the Board of Directors. The guidelines is a system of sound, effective, and complete strategies and processes that allows the Bank to assess and maintain, ongoing basis, the amounts, types and distribution of internal capital that the Bank considers adequate to cover the nature and level of risk to which the Bank is or might be exposed to.

The guideline shall also include requirement to have robust governance arrangements, efficient process of managing all material risks and an effective regime for assessing and maintaining adequate and economic capital at the Bank where economic capital (economically needed capital) refers to the amount of capital required for the Bank's business operations and for financing the associated risks.

Guideline shall provide policy and procedural guidelines for the calculation of internal capital adequacy by prescribing appropriate methodologies, techniques and procedures to assess the capital adequacy requirements in relation to the Bank's risk profile and effectiveness of its risk management, control environment and strategic planning.

The Board shall be primarily responsible for ensuring the current and future capital needs of the Bank in relation to strategic objectives. The management shall review and understand the nature and level of various risks that the Bank is confronting in the course of different business activities and how this risk relates to capital levels and accordingly implement sound risk management framework specifying control measures to tackle each risk factor.

- **Quantitative disclosures**

Capital Structure and Capital Adequacy

Tier I capital and a breakdown of its components:

Particulars	NPR in Mn.
Paid Up Capital	9,718
Proposed Stock Dividend	-
Share Premium	-
Statutory General Reserves	3,054
Capital Redemption Reserve	1,100
Retained Earnings	1,694
Unaudited current year cumulative profit	-

Particulars	NPR in Mn.
Less:	-
Deferred Tax Assets	-
Miscellaneous expenditure not written off	113
Land & building in excess of limit and unutilized	-
Investment in equity of institutions with financial interests	260
Core Capital	**15,193**

Tier II capital and a breakdown of its components;

Particulars	NPR in Mn.
General Loan Loss Provision	1,611
Exchange Equalization Reserves	40
Subordinated Term Debt	7,596
Investment Adjustment Reserve	-
Other Reserve	-
Supplementary Capital	**24,440**

Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, and amount rose during the year and amount eligible to be reckoned as capital funds.

The Bank has issued "7.25% NIC ASIA Bond 2077" for NPR 500 million on 15th May 2014.

- Outstanding Amount : NPR 500 million
- Maturity Period : 7 years
- Interest Rate : 7.25% per annum
- Interest Payment frequency : Half Yearly
- Amount eligible to be reckoned as capital fund : NPR 200 million

The Bank has issued "9% NIC ASIA Bond 2081/82" for NPR 3000 million on 9th January 2018.

- Outstanding Amount : NPR 3,000 million
- Maturity Period : 7 years
- Interest Rate : 9% per annum
- Interest Payment frequency : Half Yearly
- Amount eligible to be reckoned as capital fund : NPR 3,000 million

The Bank has issued “11% NIC ASIA Bond 2082/83" for NPR 1830 million on20th September 2018.

- Outstanding Amount : NPR 1,830 million
- Maturity Period : 7 years
- Interest Rate : 11% per annum
- Interest Payment frequency : Half Yearly
- Amount eligible to be reckoned as capital fund : NPR 1,830million

The Bank has issued “10% NIC ASIA Bond 2085/86" for NPR 2,045 million on 1thMarch 2019.

- Outstanding Amount : NPR 2,050million
- Maturity Period : 10 years
- Interest Rate : 10% per annum
- Interest Payment frequency : Half Yearly
- Amount eligible to be reckoned as capital fund : NPR 2,045 million

The Bank has issued “10.25% NIC ASIA Bond 2083/84" for NPR 1,944 million on 27thAugust 2019.

- Outstanding Amount : NPR 1944 million
- Maturity Period : 7 years
- Interest Rate : 10.25% per annum
- Interest Payment frequency : Half Yearly
- Amount eligible to be reckoned as capital fund : NPR 1,944 million

- **Deductions from capital;**
  - The fictitious assets pertaining to bond issue expenses and software amounting to 158,538,560.24 have been deducted from the core capital
  - The Bank’s investment in NIC AISIA Capital Ltd., a wholly owned subsidiary, NPR 260,000,000 has been deducted from the core capital.

- **Total qualifying capital;**

Particulars	NPR in Mn.
Core Capital	15,193
Supplementary Capital	9,247
Total Qualifying Capital (Total Capital Fund)	**24,440**

- **Capital Adequacy Ratio**

  - 13.20%

2. Risk Exposure

Risk weighted exposures for Credit Risk, Market Risk and Operational Risk.

NPR in Mn.

Risk weighted Exposures	Current Quarter	Previous Quarter
a. Risk Weighted Exposure for Credit Risk	170,533	169,956
b. Risk Weighted Exposure for Operational Risk	8,345	8,343
c. Risk Weighted Exposure for Market Risk	165	308
d. Adjustment Under Pillar II		
Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	2,593	2,592
Overall risk management policies and procedures are not satisfactory, add 2% of RWE	3,581	5,358
Total Risk Weighted Exposures (a + b + c +d)	**185,216**	**186,557**

Risk Weighted Exposures under each of 11 Categories of Credit

NPR in Mn.

Particulars	Current Quarter	Previous Quarter
Claims on Government and Central Bank	-	-
Claims on Other Official Entities	-	-
Claims on Banks	3,251	4,633
Claims on Corporate and securities firms	56,524	56,986
Claims on regulatory retail Portfolio	50,528	51,206
Claims secured by Residential Properties	106	6,118

Claims secured by Commercial real estate	261	267
Past due Claims	4,145	5,257
High Risk Claims	38,422	34,242
Other Assets	6,847	6,321
Off Balance- Sheet Items	4,549	4,926
Total	**170,533**	**169,956**

- **Total Risk Weight Exposure Table**

On Balance Sheet Exposure:

NPR in Mn.

A. Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
	A	b	c	d=a-b-c	E	f=d*e
Cash Balance	5,454	-	-	5,454	0%	-
Balance With Nepal Rastra Bank	18,721	-	-	18,721	0%	-
Gold	9	-	-	9	0%	-
Investment in Nepalese Government Securities	26,178	-	-	26,178	0%	-
All Claims on Government of Nepal	5,237	-	-	5,237	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	0%	-
All claims on Nepal Rastra Bank	74	-	-	74	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	20%	-
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	100%	-
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	150%	-

Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-
Claims on Domestic Public Sector Entities	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	13,207	-	-	13,207	20%	2,641
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	2,424	-	-	2,424	20%	485
Claims on foreign bank (ECA Rating 2)	-	-	-	-	50%	-
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	623	-	-	623	20%	125
Claims on Domestic Corporates	-	-	-	-	80%	-
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	85%	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	90%	-

Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-
Claims on Foreign Corporates (ECA 7)	56,758	194	40	56,524	100%	56,524
Regulatory Retail Portfolio (Not Overdue)	-	-	-	-	20%	-
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	50%	-
Claims secured by residential properties	-	-	-	-	100%	-
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	67,752	216	164	67,371	75%	50,528
Claims secured by Commercial real estate	-	-	-	-	100%	-
Past due claims (except for claims secured by residential properties)	9,862	29	-	9,833	60%	5,900
High Risk claims	-	-	-	-	150%	-
Lending against securities (bonds & shares)	110	4	-	106	100%	106
Investments in equity and other capital instruments of institutions listed in stock exchange	265	5	-	261	100%	261
Investments in equity and other capital instruments of institutions not listed in the stock exchange	3,581	815	3	2,763	150%	4,145
Staff loan secured by residential property	22,190	114	252	21,824	150%	32,736
Interest Receivable/claim on government securities	386	3	-	383	100%	383
Cash in transit and other cash items in the process of collection	2,540	-	-	2,540	100%	2,540
Other Assets (as per attachment)	1,220	-	-	1,220	150%	1,830
TOTAL (A)	**245,615**	**1,381**	**459**	**243,775**		**165,984**

Off Balance Sheet Exposures:

NPR in Mn.

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	66	-	-	66	0%	-
Forward Exchange Contract Liabilities	3,960	-	-	3,960	10%	396
LC Commitments With Original Maturity Upto 6 months domestic counterparty	1,390	-	24	1,365	20%	273
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-
LC Commitments With Original Maturity Over 6 months domestic counterparty	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	4,391	-	151	4,240	40%	1,696
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-

Underwriting commitments	-	-	-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-
Advance Payment Guarantee	337	-	2	334	100%	334
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsements	58	-	5	53	100%	53
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (short term)	7,388	-	-	7,388	20%	1,478
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-
Other Contingent Liabilities	314	-	-	314	100%	314
Unpaid Guarantee Claims	3	-	0	2	200%	5
TOTAL (B)	**17,906**	**-**	**183**	**17,724**		**4,549**
Total RWE for credit Risk Before Adjustment (A) +(B)	**263,521**	**1,380**	**641**	**261,498**		**170,532**
Total RWE for Credit Risk after Bank's adjustments under Pillar II	**263,521**	**1,380**	**641**	**261,498**		**170,532**

Non-Performing Assets

NPR in 'Mn'

Particulars	Current Quarter		Previous Quarter	
	Gross NPAs	Net NPAs	Gross NPAs	Net NPAs
Restructured / Reschedule Loans				
Sub Standard Loans	221.36	166.02	374.37	280.78
Doubtful Loans	605.02	302.51	226.93	113.47
Loss	483.59	-	432.19	
Total NPAs	**1,309.96**	**468.53**	**1,033.49**	**394.24**

Ratio of Non-Performing Asset

Particulars	Current Quarter	Previous Quarter
Gross NPA to gross advances (%)	0.75	0.59
Net NPA to net advances (%)	0.27	0.23

Movement of Non-Performing Assets

NPR in '000'

Particulars	Current Quarter	Previous Quarter
Opening NPA	1,033,492	803,975
Net Increase/(decrease) during the year	276,470	229,517
Closing NPA	1,309,962	1,033,492

Write off Loan and Interest Suspense:

NPR in '000'

Particulars	Current Quarter	Previous Quarter
Write off Loan	40,621	5,028
Write off Interest		

Movements in LLP and Interest Suspense:

NPR in '000'

Particulars	Current Quarter	Previous Quarter
Movement in Loan Loss Provisions	867,916	399,169
Movement in Interest Suspense	481,913	427,874
Additional LLP during the year	867,916	399,169

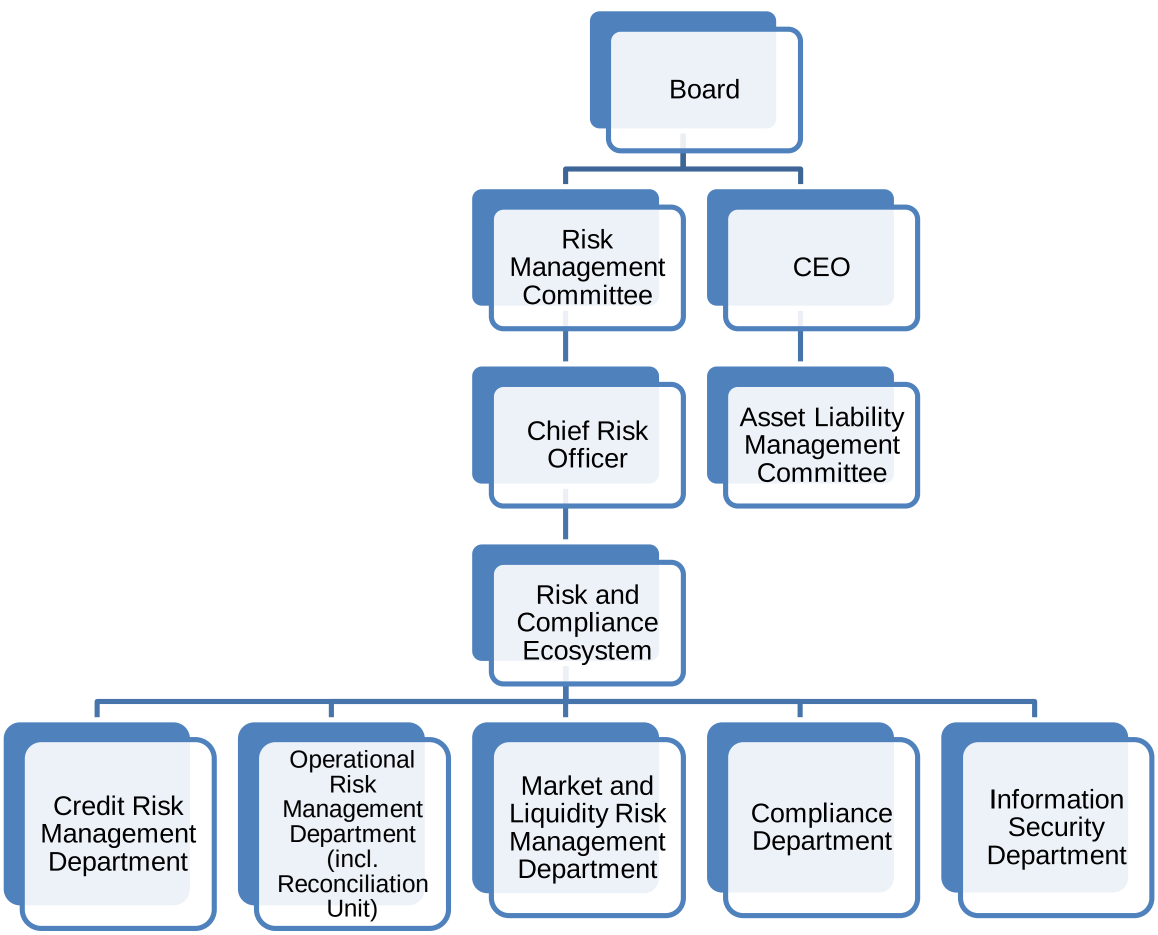
Segregation of Investment:

NPR in '000'

Particulars	Current Quarter	Previous Quarter
Held for Trading		
Held till Maturity	26,563,011	17,729,266
Available for Sale	2,755,315	2,495,429

3. Risk Management Function

Risk Management structure of the Bank has set clear separation between business function and risk management function. Accordingly, the Bank has set up a separate Integrated Risk Management Department (IRMD) headed by Chief Risk Officer (CRO), one of the most senior level positions in the Bank. The IRMD oversees global, macro, micro and departmental level risk that arise out of daily business operation as well as on periodic basis and are put to the oversight of Senior Management, Risk Management Committee and the Board to discuss the reports thereon and issue instructions as appropriate.



i. Risk Management Committee

Board of Directors is the apex and supreme authority of the Bank and is responsible to frame and implement robust policies and framework for effective compliance of regulation and direction issued by the regulatory authority. BOD ensures the strategies, policies and procedure is in accordance with the risk appetite/tolerance limit for effective management of risk within the Bank. The board understands the nature of risk of the bank, and periodically reviews reports on risk management, including policies and standards, stress testing, liquidity and capital adequacy through the reporting by the Risk Management Committee and the Asset- Liabilities Management Committee.

Pursuant to the NRB directive on corporate governance, the Bank has established Risk Management Committee with well-defined terms of reference in line the NRB directive. At least four meeting is conducted on annual basis however number of meeting can be increased as per the requirement. The committee supervise overall risk management of the Bank broadly classified as liquidity risk, market risk, operational risk and credit risk.

ii. Risk Governance

Bank has prepared and implemented policies and procedures to mitigate the risk at enterprises level arising to the Bank and has inculcated risk culture among the employees by establishing ownership mentality, capacity building programs, well defined job responsibilities and inhabiting good ethical culture.

Through its Risk Management Framework, the Bank seeks to efficiently manage credit, market and liquidity risks which arise directly through the Bank's commercial activities as well as operational, regulatory and reputational risks which arise as a normal consequence of any business undertaking.

The Risk Management Committee is responsible for the establishment of, and compliance with, policies relating to overall risk.

The Assets and Liabilities Committee is responsible for the management of capital and establishment of, and compliance with, policies relating to balance sheet management, including management of liquidity, capital adequacy and structural foreign exchange and interest rate exposure and tax exposure.

The bank's risk governance structure is such that the responsibility for maintaining risk within the banks risk blanket is cascaded down from the Board to the appropriate functional, client business, senior management and committees. Information regarding material risk issues and compliance with policies and standards is communicated through the business, functional, senior management and committees.

iii Internal Control

The Board is responsible for ensuring the Bank has appropriate internal control framework in place that supports the achievement of the strategies and objectives. The various functions of the Bank should be looked upon with a view to establish a proper control mechanism is in place during expansion and growth which enables it to maximize profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations and enhance resilience to external events.

The Board has set policies and procedures of risk identification, risk evaluation, risk mitigation and control/monitoring, in line with the NRB directives has effectively implemented the same at the Bank.

The effectiveness of the Company's internal control system is reviewed regularly by the Board, its Committees, Management and Internal Audit department.

The Internal Audit monitors compliance with policies/standards and the effectiveness of internal control structures across the Bank through regular audit, special audit, information system audit, Off Site review, AML/CFT/KYC audit, ISO audit as well as Risk based Internal Audit (RBIA) approach. The audits observations are reported to the Chief Executive Officer and Business Heads for initiating immediate corrective measures. Internal Audit reports are periodically forwarded to the Audit Committee for review and the committee issues appropriate corrective action in accordance with the issue involved to the respective department, regional offices or branches.

5.1.1 Credit Risk

Credit risk is the probability of loss of principal and reward associated with it due to failure of counterparty to meet its contractual obligations to pay the Bank in accordance with agreed terms. The Credit Risk Monitoring and Reporting Framework/ have been prepared in order to mitigate/minimize the credit risk of the Bank through appropriate monitoring and reporting framework established within the Bank.

Bank has implemented various System/ Policies/ Procedures/ Guidelines for the effective management of Credit Risk. For each type of loan, credit policies and procedures define criteria for granting loans in a safe and sound manner including but not limited purpose of credit and source of repayment, collection of relevant information based on the different client risk profiles, use of adequate tools, adequacy, enforceability and liquidity status of collaterals, as well as the practical aspects of their mobilization.

To ensure diversification of risks and limit concentration risk, limit on credit exposures to specific activities or type of products, single counterparty or groups of interconnected counterparties, specific industries and/or economic sectors, types of collateral, related parties and geographic regions.

Monitoring of credit risk is performed by credit risk management function. The Bank uses internal rating system which help the Bank to differentiate between credit exposures in its portfolio, determine the portfolio's characteristics (concentration, problem loan etc.) and verify the accuracy of the provisions. Business borrowers are monitored through on-site visits, while repayment capacities of individual customers should be updated regularly for early identification of any adverse developments that may affect repayment of loans.

Banks have effective processes and procedures in place for early implementation of remedial actions on deteriorating credits and management of problem loans, including assessing the appropriate legal actions. Furthermore, Bank has sound loss methodology, including credit risk assessment policies, procedures and controls, to identify troubled exposures and determine loss provisioning in a timely manner.

Bank has implemented various System/ Policies/ Procedures/ Guidelines for the effective management of Credit Risk. For the purpose of assessment of credit risk of the bank, following activities were carried out:

- Current system/policies/procedures/guidelines formulated were gone through;
- Actual Exposure of credit limit product wise, segment wise were checked against Risk Appetite, tolerance limit mentioned in Respective Product Paper Guidelines, Credit Policy and Credit Risk Management Policy;
- Review of various reports prepared by the Departments such as Account Monitoring Report, Loan Overdue Report, Loan Report, NRB reports and Margin Monitoring Reports

Credit Risk Management is ultimately the responsibility of the Board of Directors. Hence overall strategy as well as significant policies has to be reviewed by the board regularly. Further, Senior Management is responsible for implementing the bank's credit risk management strategies and policies and ensuring that procedures are put in place to manage and control credit risk and the quality of credit portfolio in accordance with these policies.

The Bank has financial assets consisting mainly of loans & advances and investments at amortized cost. In these cases, the maximum exposure to credit risk is the carrying amount of the related financial assets.

5.1.2 Market Risk

Market risk is defined as the risk of losses resulting from movement in market prices that adversely affect the value of on-and-off balance sheet positions of financial institutions. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

i. Currency Risk:

Foreign exchange risk is the potential for the Bank to experience volatility in the value of its assets, liabilities and solvency and to suffer actual financial losses as a result of

changes in value between the currencies of its assets and liabilities and its reporting currency.
The Bank has following foreign currency as receivables/payables as at the balance sheet date.

ii. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

iii. Equity Price Risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in equity prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.
The Company's equity price risk exposure relates to financial investment held at FVTOCI, whose values fluctuate as a result of changes in market prices.

Based on its risk profile and level of market risk it is willing and/or able to take, the Bank has developed strategy to manage its market risk. Approved by the board, the market risk management is well communicated within the financial institution. The market risk strategy should be periodically updated (at least once a year and immediately in case of change in market activity) and regularly reviewed to accommodate changes in business/strategic plan and significant developments in the external operational environment.

The bank's management information system generates regular reports that depict actual size, return, risk, potential profit or loss etc of the exposure and such report is forwarded to board and senior management for review. Appropriate contingency plans have been put in place.

5.1.3 Liquidity Risk

Bank recognize Market Risk as the possibility for loss of earnings or economic value to the Bank caused due to adverse changes in the market level of interest rates or prices of securities (equity), foreign exchange rates and commodity price fluctuation, as well as the volatilities, of those prices. While Liquidity risk is chances of failure of a Bank to meet obligations as they become due, effective liquidity risk management helps ensure the Bank's ability to meet its obligations as they fall due without adversely affecting the Bank's financial condition and reduces the probability of developing of an adverse situation.
Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank

on acceptable terms. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding as required.

The following table depicts the maturity profile of the investment portfolio on a undiscounted cash flow basis which is designed and managed to meet the required level of liquidity as and when liquidity outgo arises taking into consideration the time horizon of the financial liabilities of the business.

NPR Mn

Particulars	Less than 3 month	3 to 6 months	6 months to 1 year	More than 1 year	Total
Assets					
Cash and cash equivalent	12,295	-	-	-	12,295
Due from Nepal Rastra Bank	18,721	-	-	-	18,721
Placement with Bank and Financial Institutions	-	-	-	-	-
Derivative financial instruments.	5,636	-	-	-	5,636
Other trading assets	9	-	-	-	9
Loan and advances to B/FIs	2,464	3,718	4,961	1,565	12,708
Loans and advances to customers	31,325	13,662	31,163	84,111	160,262
Investment in securities	3,135	487	1310	24,387	29,318
Total	**73,585**	**17,868**	**37,434**	**110,063**	**238,950**
Liabilities					
Due to Bank and Financial Institutions	9,272	-	-	-	9,272
Due to Nepal Rastra Bank	-	-	-	-	-
Derivative financial instruments	5,601	-	-	-	5,601
Deposits from customers	28,405	22,308	55,077	95,841	201,630
Borrowing	-	-	-	-	-
Other liabilities	6,919	-	-	-	6,919
Debt securities issued	500	-	-	9,156	9,656
Total	**50,697**	**22,308**	**55,077**	**104,997**	**233,078**

iv. Operational risk

Operational Risk is defined as the risk of potential loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks for the bank. Operational Risk is pervasive across all the functions of the Bank and is influenced by all resources, including human resource, systems and procedural designs, deployed by the Bank to carry out those functions. Operational Risk can be caused by both internal and external sources such as fraud, business interruptions, system failures, damage to physical infrastructure, failure in execution and service delivery, inherent risks in products, customers, inadequacy in procedures or flawed process designs, and business practices. The risk can occur in any business function or the business supporting functions.

The Bank is committed to be governed with a strong culture of risk management and ethical business practices to averse it from potentially damaging operational risk events and is in a sound position to deal effectively with those events that do occur. The actions of the board and senior management, and policies, processes and systems provide the foundation for a sound risk management culture

The Bank seeks to minimize exposure to operational risk by use of key control standards, key control self-assessments and key risk indicators as toolkits to identify, assess, monitor and control operational risk events through timely acknowledgement of emerging threats and underlying vulnerabilities. The Bank shall also ensure highest level of governance standards and adherence to Code of Conduct and robust compliance to all regulatory as well as the Bank’s internal policy, procedures and guidelines.

Effective policies, procedural guidelines and standard operating procedure are crucial tools for sound risk management. Therefore, adequacy and effectiveness of the policies and procedures and their effective implementation is closely monitored by the department to ensure that they have continuing relevance in line with regulatory requirement and adjusts to dynamic risk environment of the industry.