

Disclosures as per Basel III
For 2nd Quarter of FY 2082/83 (Poush end, 2082)

Information presented hereunder is as per disclosure requirements of the Capital Adequacy Framework issued by NRB. Disclosures are in respect of the stand-alone capital adequacy of Citizens Bank International Ltd.

A. Capital Structure and Capital Adequacy:

a. Capital Adequacy Ratio

| PARTICULARS | PERCENTAGE |
|---|------------|
| Leverage Ratio | 6.61% |
| Common Equity Tier 1 Capital To Total Risk Weighted Exposures Ratio | 8.69% |
| Tier 1 Capital To Total Risk Weighted Exposures Ratio | 8.69% |
| Total Capital To Total Risk Weighted Exposures Ratio | 12.43% |

b. Total Qualifying Capital

| PARTICULARS | AMOUNT IN NPR |
|---|------------------------|
| Common Equity Tier 1 Capital (CET1) | 19,414,306,363 |
| Tier 1 Capital | 19,414,306,363 |
| Tier 2 Capital | 8,366,159,465 |
| Total Capital Fund (Tier 1 And Tier 2) | 27,780,465,828 |
| Risk Weighted Exposures | 223,499,327,248 |

c. Tier 1 Capital and breakdown of its components

| PARTICULARS | AMOUNT IN NPR |
|---|-----------------------|
| Common Equity Tier 1 (CET 1) | 19,414,306,363 |
| Paid Up Equity Share Capital | 15,507,463,614 |
| Equity Share Premium | - |
| Proposed Bonus Equity Shares | - |
| Statutory General Reserves | 3,996,014,425 |
| Retained Earnings | (1,100,493,659) |
| Un-Audited Current Year Cumulative Profit/ (Loss) | - |
| Capital Redemption Reserve | 1,520,833,333 |
| Capital Adjustment Reserve | - |
| Dividend Redemption Reserves | - |

| PARTICULARS | AMOUNT IN NPR |
|--|--------------------------|
| Bargain Purchase Gain | - |
| Other Free Reserve | - |
| Less: Goodwill | - |
| Less: Intangible Assets | (45,725,350) |
| Less: Deferred Tax Assets | - |
| Less: Fictitious Assets | - |
| Less: Investment In Equity In Licensed Financial Institutions | (317,204,200) |
| Less: Investment In Equity In Institutions With Financial Interests | (50,000,000) |
| Less: Investment In Equity Of Institutions In Excess Of Limits | - |
| Less Investments Arising Out Of Underwriting Commitments | - |
| Less: Reciprocal Crossholdings | - |
| Less: Purchase Of Land & Building In Excess Of Limit And Unutilized | (82,458,480) |
| Less: Cash Flow Hedge | - |
| Less: Defined Benefit Pension Assets | - |
| Less: Un Recognized Defined Benefit Pension Liabilities | - |
| Less: Negative Balance Of Reserve Account | (14,123,321) |
| Less: Other Deductions | - |
| Adjustment Under Pillar II | - |
| Less: Shortfall In Provision(6.4 A 1) | - |
| Less: Loans And Facilities Extended To Related Parties And Restricted Lending (6.4 A 2) | - |
| Additional Tier 1 (AT1) | |
| Perpetual Non-Cumulative Preference Share Capital | - |
| Perpetual Debt Instruments | - |
| Stock Premium | - |
| Tier 1 Capital (Core Capital) (CET1 +AT1) | 19,414,306,363 |

d. Tier 2 Capital and breakdown of its components

| PARTICULARS | AMOUNT IN NPR |
|--|--------------------------|
| Cumulative And/ Or Redeemable Preference Share | - |
| Subordinated Term Debt | 5,000,000,000 |
| Hybrid Capital Instruments | - |
| Stock Premium | - |
| General Loan Loss Provision | 2,524,529,593 |
| Exchange Equalization Reserve | 20,321,275 |

| | |
|---|----------------------|
| Investment Adjustment Reserve | - |
| Assets Revaluation Reserve | - |
| Accrued interest on Pass loan included in Regulatory Reserve | 283,776,636 |
| Regulatory reserve for non-banking assets recorded within the last 24 months. | 508,004,186 |
| Interest Capitalized Reserve included in Regulatory Reserve | 29,527,775 |
| Other Reserves | - |
| Supplementary Capital (Tier 2) | 8,366,159,465 |

e. Deductions from Capital

The Bank has deducted the following items in calculation of Tier 1 Capital:

- NPR 45.72 Million Intangible Assets and NPR. 14.12 Million for Negative balance of Reserve Account (Actuarial Loss).
- NPR 317.20 Million invested in equity capital of subsidiary company. Out of NPR 317.20 Million, NPR 117.20 million is invested in Citizens Capital Limited and NPR 200 million is invested in CBIL Securities Limited
- NPR 50 Million invested in equity capital of Reliable Private Equity Fund.
- NPR 82.45 Million for unutilized portion of land & building for more than 3 years from the date of acquisition/purchase.

f. Detailed Information about the Subordinated Term Debt with information on the outstanding amount, maturity, amount raised during the year and amount eligible to be reckoned as capital funds.

| 10.25% CITIZENS BANK DEBENTURE, 2086 | AMOUNT IN NPR |
|---|----------------------|
| Outstanding Amount | 2,500,000,000 |
| Maturity Date | Falgun 2086 |
| Amount Raised During The Year | |
| Amount Eligible For Tier 2 Capital Fund | 2,000,000,000 |

The Bank shall appropriate NPR 333.33 Million in debenture redemption reserve each year, i.e. proportionately for the remaining duration of the bond, starting from Shrawan 2082 in addition to capital redemption reserve of NPR 1166.67 Million till Ashad end 2082. The current balance of Redemption Reserve stands at NPR 1,333.33 Million till this quarter.

| 10% CITIZENS BANK DEBENTURE, 2090 | AMOUNT IN NPR |
|--|----------------------|
| Outstanding Amount | 3,000,000,000 |
| Maturity Date | Ashwin 2090 |
| Amount Raised During The Year | 3,000,000,000 |
| Amount Eligible For Tier 2 Capital Fund | 3,000,000,000 |

The Bank shall appropriate NPR 375 Million in debenture redemption reserve each year, i.e. proportionately over the duration of the bond, starting from Shrawan 2082. The current balance of Redemption Reserve stands at NPR. 187.50 Million till this quarter.

B. Risk Weighted Exposures

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

| RISK WEIGHTED EXPOSURES | AMOUNT IN NPR |
|--|------------------------|
| Risk Weighted Exposure For Credit Risk | 201,989,429,921 |
| Risk Weighted Exposure For Operational Risk | 10,657,334,960 |
| Risk Weighted Exposure For Market Risk | 2,196,476,275 |
| Regulatory Adjustment: | |
| Add: 3% Of Operational Risk As Supervisory Haircut | 2,210,788,857 |
| Add: 3% Of RWE As Supervisory Haircut | 6,445,297,235 |
| Total Risk Weighted Exposures (After Bank's Adjustments Of Pillar II) | 223,499,327,248 |

b. Risk weighted exposures under various categories of Credit Risk

| CATEGORY OF RISK WEIGHT | AMOUNT IN NPR |
|---|------------------------|
| Claims On Government And Central Bank | - |
| Claims On Other Official Entities | - |
| Claims On Public Sector Entities | - |
| Claims On Banks | 3,124,066,455 |
| Claims On Corporate And Securities Firms | 90,735,606,365 |
| Claims On Regulatory Retail Portfolio | 27,009,894,931 |
| Claims Secured By Residential Properties | 8,475,605,594 |
| Claims Secured By Commercial Real Estate | 1,899,830,529 |
| Past Due Claims | 11,291,185,974 |
| High Risk Claims | 12,185,804,576 |
| Lending Against Shares | 5,946,652,444 |
| Claims On Trading Loans | 1,321,090,902 |
| Personal Auto Loans | 749,588,742 |
| Real Estate Loans For Land Acquisition And Development (Other Than Mentioned In CAF 2015-Point 3.3(J)(1)(K)) | 1,556,846,397 |
| Real Estate Loans For Land Acquisition & Development (For Institutions /Projects Registered/Licensed & Approved By GON) | 672,384,004 |
| Other Assets | 9,409,362,196 |
| Investments In Equity And Other Capital Instruments Of Listed Institutions | 835,463,802 |
| Investments In Equity And Other Capital Instruments Of Unlisted Institutions | 297,330,992 |
| Off Balance Sheet Items | 26,478,716,020 |
| Total Credit Risk Weighted Exposures | 201,989,429,921 |

c. Total Risk Weighted Exposure calculation table:

| PARTICULARS | AMOUNT IN NPR |
|---|--------------------------|
| Credit Risk Exposure | 201,989,429,921 |
| Operational Risk Exposure | 10,657,334,960 |
| Market Risk Exposure | 2,196,476,275 |
| Adjustments Under Pillar II | |
| Add: 3% of Operational Risk as Supervisory Haircut | 2,210,788,857 |
| Add: 3% of RWE as Supervisory Haircut | 6,445,297,235 |
| Total Risk Weightage Exposures | 223,499,327,248 |
| Total Core Capital (CET1 +AT1) | 19,414,306,363 |
| Total Capital Fund (TIER 1 AND TIER 2) | 27,780,804,109 |
| CET 1 Capital To Total Risk Weighted Exposures | 8.69% |
| Tier 1 Capital To Total Risk Weighted Exposures | 8.69% |
| Tier 1 And Tier 2 Capital To Total Risk Weighted Exposures | 12.43% |

C. Details of Non-Performing Assets

a. Amount of Non-Performing Assets (both Gross and Net) as per regulatory classification

| PARTICULARS | GROSS AMOUNT | PROVISION | NET AMOUNT |
|----------------------------|-------------------------|----------------------|----------------------|
| Rescheduled / Restructured | 196,181,368 | 9,474,189 | 186,707,178 |
| Sub Standard | 2,700,705,182 | 567,820,088 | 2,132,885,094 |
| Doubtful | 1,745,766,162 | 719,780,980 | 1,025,985,182 |
| Loss | 7,394,812,645 | 6,847,602,751 | 547,209,895 |
| Total | 12,037,465,357 | 8,144,678,008 | 3,892,787,349 |

b. Ratio of Non-Performing Assets as per regulatory classification

| PARTICULARS | PERCENTAGE |
|-------------------------------------|-------------------|
| Total NPL To Total Loans & Advances | 6.86 |
| Net NPL To Net Loans & Advances | 2.37 |

c. Movement of Non-Performing Assets as per regulatory classification

| PARTICULARS | PREVIOUS QUARTER | CURRENT QUARTER | CHANGE IN % |
|----------------------------|-------------------------|------------------------|--------------------|
| Rescheduled / Restructured | 259,006,526 | 196,181,368 | -24.26% |
| Sub Standard | 3,240,660,448 | 2,700,705,182 | -16.66% |
| Doubtful | 1,063,680,472 | 1,745,766,162 | 64.13% |
| Loss | 7,478,746,868 | 7,394,812,645 | -1.12% |
| Total | 12,042,094,314 | 12,037,465,357 | -0.04% |

d. Write off of Loans and Interest Suspense

| PARTICULARS | PREVIOUS QUARTER | CURRENT QUARTER | CHANGE IN % |
|-------------------------------|-----------------------------|----------------------------|------------------------|
| Loan Written Off | - | - | 0% |
| Interest Suspense Written Off | 34,877,289 | 39,159,565 | 12.28% |

e. Movements in Loan Loss Provision and Interest Suspense

| PARTICULARS | PREVIOUS QUARTER | CURRENT QUARTER | CHANGES | |
|---------------------|-----------------------------|----------------------------|----------------|-------------------|
| | | | Amount | Percentage |
| Loan Loss Provision | 10,916,275,018 | 11,011,573,312 | 95,298,294 | 0.87% |
| Interest Suspense | 3,313,466,872 | 3,347,555,294 | 34,088,422 | 1.03% |

f. Details of Additional Loan Loss Provision as per regulatory classification

| PARTICULARS | PREVIOUS QUARTER | CURRENT QUARTER | ADDITIONAL PROVISION IN CURRENT QUARTER | CHANGE IN % |
|------------------------------|-----------------------------|----------------------------|--|------------------------|
| Pass Loan | 1,392,378,352 | 1,298,923,576 | -93,454,776 | -6.71% |
| Watch list | 1,496,450,072 | 1,567,971,728 | 71,521,656 | 4.78% |
| Rescheduled /Restructured | 12,787,464 | 9,474,189 | -3,313,275 | -25.91% |
| Sub Standard | 614,287,776 | 567,820,088 | -46,467,688 | -7.56% |
| Doubtful | 434,861,327 | 719,780,980 | 284,919,653 | 65.52% |
| Loss | 6,965,510,026 | 6,847,602,751 | -117,907,275 | -1.69% |
| Total | 10,916,275,018 | 11,011,573,312 | 95,298,294 | 0.87% |

D. Segregation of Investment Portfolio

| PARTICULARS | AMOUNT IN NPR |
|--|-----------------------|
| Investment Securities Measured At Amortized Cost | 40,960,992,881 |
| Investment In Equity Measured At FVTOCI | 860,084,225 |
| Trading Assets | 540,697,689 |
| TOTAL | 42,361,774,795 |

E. Summary of the Bank's internal approach to assessing the adequacy of its capital to support current and future activities, if applicable:

The Bank has developed its own internal policy, procedures and structures to manage credit, market and liquidity risk in adverse situation and to make contingency plan accordingly. For the purpose, the Bank has developed Internal Capital Adequacy Assessment Process (ICAAP) which

acts as a guiding document for reporting the ongoing assessment of the Bank's risks, how the Bank intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors. The Bank's capital management framework includes a comprehensive internal capital adequacy assessment process (ICAAP) conducted annually which determines the adequate level of capitalization for the Bank to meet regulatory norms and current and future business needs, including under stress scenarios. The capital management framework is complemented by the risk management framework, which covers the policies, processes, methodologies and frameworks established for the management of material risks.

A ICAAP report is produced on an annual basis following the end of the financial year. A brief summary of risk assessments and capital requirements is produced on a quarterly basis. The Internal Capital Adequacy Assessment is monitored on quarterly basis for identifying any tightening of the Bank's capital position that could restrict business of the Bank. The purpose of the Internal Capital Adequacy Assessment Process (ICAAP) is to inform the Board of the ongoing assessment of the Bank's risks, how the Bank intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors. This policy is a guiding document for reporting the Internal Capital Adequacy Assessment Process that shall be undertaken by the Bank. The comprehensive Capital Plan which is part of the annual financial plan (budget) of the Bank provides in detail for any potential need to increase capital.

Capital Adequacy Framework forming the part of Unified Directive No. 1 issued by NRB shall be the basis for computation of overall Capital Fund for assessing capital adequacy of the Bank vis-à-vis Risk Exposure being undertaken by the Bank. In addition to the Credit Risk, Operational Risk and Market Risk Exposures considered in capital adequacy framework, the Bank shall add other risks exposures quantified by the Bank for comprehensive risk assessment that requires capital charge. The other risks include and are not limited to Strategic Risk, Reputation Risk, Liquidity Risk, Interest Rate Risk, Forex Risk, Equity Risk, etc. Similarly, the internal capital adequacy assessment includes the statutory capital requirement for the given comprehensive risk exposures computed and also considers the additional capital requirement for any stressed scenarios or any fixed amount of additional capital buffer maintained as per Bank's policy for any stress scenarios.

Stress testing, which is a key aspect of the ICAAP and the risk management framework, provides an insight on the impact of extreme but plausible scenarios on the Bank's risk profile and capital position. Based on the stress testing framework, the Bank conducts stress tests on its various portfolios and assesses the impact on its capital adequacy ratio and the adequacy of capital buffers for current and future periods. The Bank periodically assesses and refines its stress testing framework in an effort to ensure that the stress scenarios capture material risks as well as reflect market conditions and operating environment. Stress testing is used to assess the capability of the Bank to continue operating effectively even under stress scenarios. It is also used to identify potential future risks, set the risk appetite and formulate capital and liquidity contingency plans. The Bank uses scenario analysis as the primary stress test tool for the Pillar 2 risks. The scenario analysis involves discussion between RMD and significant business units for the development of scenarios and a review of the impact of the stress test on earnings and capital.

The results of scenario analysis are communicated to Board Level Risk Management Committee and ultimately to the Board. Stress test shall be carried out as per the Stress Test Guidelines of NRB and Stress Testing scenario developed by the Bank to assess the impact of risk on the Bank's profitability, liquidity, financial position and capital.

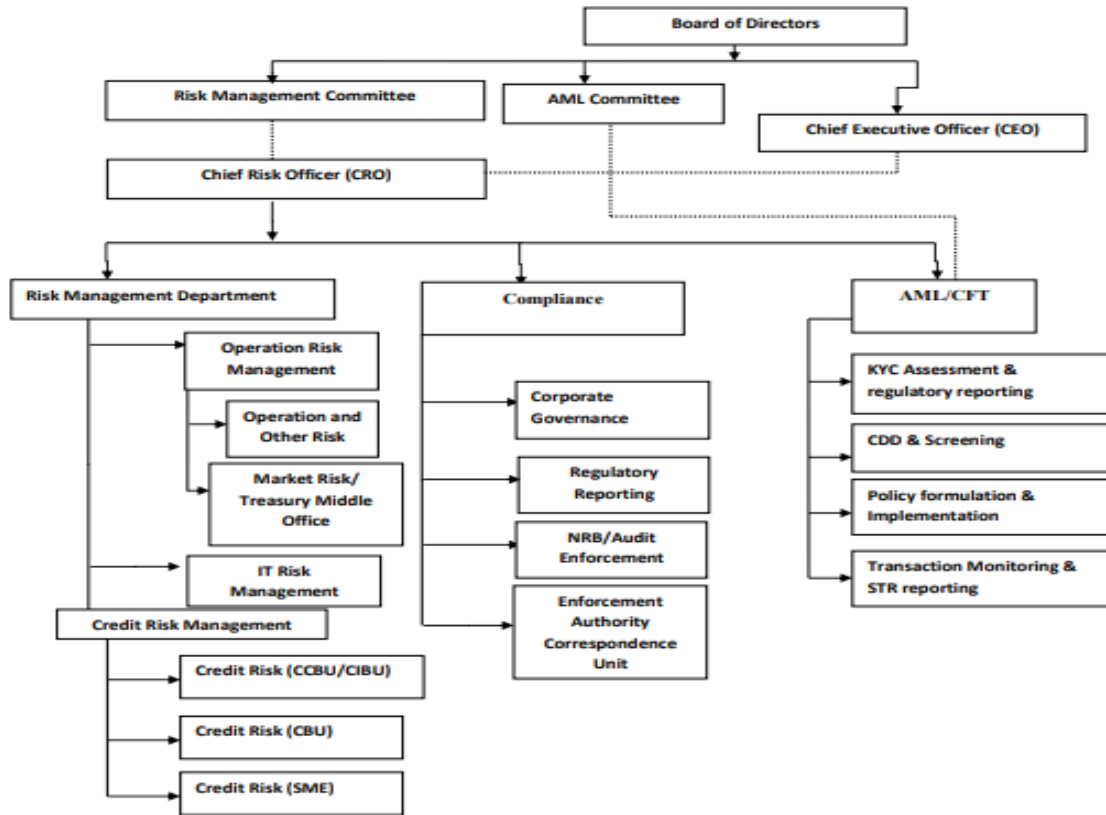
- F. **Summary of the terms, conditions, and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments.**
- G. **Risk Management Framework**

The Bank has a clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting, and control. The Bank has a well-constituted organizational structure defining clearly roles and responsibilities of individuals involved in risk-taking as well as managing it. The Bank, in addition to risk management functions for various risk categories, has set up a Risk Management Department to look after effective implementation of approved policies, procedures, regulator's directives, audit issues and decisions of management. For overall risk monitoring, a Risk Management Committee has been formed for reporting to BOD.

a. Risk Governance Structure

The Board has the ultimate responsibility for monitoring and managing the risk profile of the Bank. For purpose of convenience, the Board has delegate the responsibility to a separate subcommittee viz. to the Risk Management Committee (RMC). Risk Management Committee will meet at quarterly intervals or more frequently, if need arises

The bank has constituted a four member Risk Management Committee constituting 2 BOD members, Chief Risk Officer and Chief Operating Officer, apart from the Coordinator of Audit Committee shall be as a permanent member of Risk Management committee. The key role of the committee shall be to review of risks associated with Credit, Operation, Market, IT, Corporate Governance and compliance risk. There is an effective management information system that ensures the flow of information from operation all level to top management and a system to address any exceptions observed. There is an explicit procedure regarding measures to be taken to address such deviations. The risk management frame work has a mechanism to ensure an ongoing review of systems, policies, and procedures for risk management and procedure to adopt changes. The results of such review should be properly documented and reported to the Board for consideration and approval



b. Risk Management Framework

A. Board and Senior Management Oversight

Board instills strong internal controls and thereby an effective control environment through adoption of written policies and procedures and ensures that the policies and procedures are effectively communicated throughout the Bank. Bank management is responsible for ensuring that the formality and sophistication of the risk management processes is commensurate with the complexity of its operations. Senior management and the board ensures policies and procedures identifies, measures, and reports all material risks and a process of internal control reviews and audits to ensure the integrity and transparency of the overall management process.

B. Risk Identification and Risk Profile and Appetite Definition

The Bank should have proper policies and procedures to identify the risks that are being faced by the Bank in its normal course of business. The Bank should prepare and maintain the list of risks for proper monitoring and reporting. The risk identified should then be reported to BOD so that they define the risk profile that the Bank is willing to take considering the return anticipated and possibility of risk management. Besides defining the

profile, the BOD should also clearly define the risk appetite or the limit that the Bank is willing to take considering its capital base.

C. Comprehensive Risk Assessment and Measurement Methodologies

The Bank should develop a Comprehensive Risk Management Policy that should define risk assessment and measurement methodologies in detail. The risk assessment and measurement methodologies should be able to identify and enlist all risks that the Bank is facing in its normal course of business and quantify the risk being undertaken by the Bank as much as possible.

D. Risk Management Strategy

The Bank Management is responsible to develop a risk management strategy under each risk types that the Bank is exposed to in its normal course of business. Such strategies should be reviewed annually and placed to BOD for approval.

1. Credit risk management

Credit Risk is the risk of negative effects on the financial results and the capital of the institution due to the borrower's default on its obligations to the Bank. Bank has Credit Policy and Investment Policy in place. There is separate Credit Risk Management Department independent from Credit Business Unit. CRD consists of skilled manpower to analyze risks in different credit functions separately. Loans are originated at the lower level and evaluated based on credit policy of the Bank and respective loan policy. Credit appraisal is done by risk owner acting within risk management policies and framework. Branches recommend credit facilities to higher approval level with the BOD being highest authority to approve credit facilities that are of highest value of exposure. Delegated authority, additional documentation and IT system driven controls and laid down procedures are in place to mitigate risk further. Inherent credit risks are addressed through better safety margin, additional collateral backup, lower exposure and deposit of borrower in bank.

Operations department measures and tracks status of credit portfolio in order to detect any signs of deterioration in financial health of borrower. Comprehensive management information reports are prepared regularly and submitted to senior management. Review of credit portfolio in order to realize possible correlations between them and the environmental factors. Continuous review process at branch level in order to identify any post disbursement problem credits and immediate action is taken by recovery officers, if any identified. As last resort, legal recovery action is taken in order to reduce negative impact.

2. Market Risk Management

Market Risk is discussed at ALCO and within respective division level on open position on daily basis. In depth knowledge of the market and movement in variables are obtained in order to control limits for open position and monthly reports prepared. The open position is assessed on daily basis and risk exposure calculated for allocation of required capital in line with Basel provisions. ALCO ensures jobs are in line with policies and procedures and suggests necessary steps to address risk on interest rate, exchange rate movement and equity

price changes. Possible financial impact due to change in market conditions are assessed periodically and actions taken accordingly. The departments are well equipped with advance dealing platform and advanced information technology.

Overview of current interest rate environment and monitoring of the movement of key interest rate indices. Periodic evaluation of net interest position and maturity gap analysis is prepared considering interest rate sensitive assets and liabilities. Interest rate risk indicators are periodically reviewed. The institution's rate indices are compared in line with market average of industry expert's rate indices of similar instruments with similar characteristics.

Interest rates are altered in line with key policy rates of the Central Bank and interest rate spread is maintained according to the Central Bank's direction. Lending policy rates are adjusted according to changes in market rates in order to mitigate risk of falling interest rate margins.

3. Operational risk management:

Operational risk occurs due to external as well as the internal environment. First step is to clearly identify the risk events, after which appropriate combination of qualitative or quantitative techniques are used to evaluate the magnitude of the consequences due to the occurrence of such events. Key risk indicators and audit findings are mostly used to assess operational risk of the Bank. The Internal Audit Department conducts audit reviews of the operational processes and reports to the Board level Audit Committee. The Bank then regularly monitors faults or operational failures and responds to them with resolutions and enhancements to internal procedures. The Bank implements sound internal control systems through instigating the Bank's internal control framework in order to manage operational risk. The IT security aspects of the Bank are examined by the separate unit of Risk Department in line with the IT Policy of the Bank.

Moreover, the Bank's system is audited regularly and safety and security standards are improved through suggestions received from the audit. The operational risk committee oversees any operation risk with help of adequate access to daily reports, operational processes and recommendations to correct any faults in systems and procedures. Further, a separate reporting line is maintained in order to preserve independency of check and balance reporting of daily functions of the Bank. Adequate focus is placed on staffs of the Bank in order to avoid mistakes due to insufficient knowledge or practice.

The staffs are required to attain the necessary skills through various programs such as orientation of the bank's systems and processes on the job and putting them under direct supervision of experienced staffs before being allowed to work independently. Their development is pushed further with conduction of skill development and skill enhancement programs, seminars and workshops on a periodic basis. Each transaction goes through a check and balance concept where one individual conducts the transaction and the other checks the transaction in order to capture any abnormalities. The deviations are promptly addressed in the lower level as well as centrally through the use of the integrated system.

For the effective management of operational risk, the bank has constituted an Operation Risk Management Committee (ORMC) headed by Chief Risk Officer. The ORMC which supports

RMC is responsible for implementing the Operational Risk Management Policy and adopting the best practices. The key functions of ORMC:

- Establish clear lines of management responsibility, accountability and reporting in such a manner that they are distinct to avoid conflict of interest
- Review all operational risk events and suggest process improvements and mitigants
- Review recent risk events in other banks and elsewhere as available in public domain and suggest key control required from operational risk perspectives.

4. Liquidity Risk Management:

Liquidity risk indicators such as liquid asset ratio, maturity gap analysis, capital adequacy ratios and funding concentration are used to assess liquidity position and are periodically monitored by ALCO in order to ensure the optimum gearing level of assets and liabilities. However, treasury department monitors daily liquidity requirement and manages and controls the overall liquidity position of the company. Treasury front office manages overall liquidity of the Bank. It also ensures that the Cash Reserve Ratio (CRR) is maintained within NRB Directives. It also deals in treasury bills and bonds and manages the lending/borrowing of currency (local/foreign) at local and international bank and financial institutions within the approved limit.

These functions help in the analysis of maturity gap to determine the liquidity position of the bank. As per the results of gap analysis, the bank prepares future plan to manage the deficit or surplus liquidity as per the requirement of funds. While raising short term funds, the treasury negotiates for favorable rates to reduce interest costs, at the same time encouraging longer tenor deposits rather than short term deposits. Also, in order to reduce liquidity risk to an acceptable level, the institution also maintains adequate unutilized facilities as a safety cushion to honor future cash outflow commitments. Moreover, the bank regularly projects future cash flows in certain stress scenarios and thus determines the level of liquid assets required. There is appropriate stress test done regularly for the management of liquidity risk.

5. Information Technology (IT) Security Risk

All Information resources that store, process or transmit data are included in the information security risk management program. Information resources are categorized based on their function, threat exposure, vulnerabilities and data type pursuant to the information security policies. The categorization process takes into account with Size, complexity and capabilities of the information resources and organizations; technical infrastructure, hardware and software capabilities of the system. A documented risk analysis process is used as the basis for the identification, definition and prioritization of risks.