



NCC Bank

नेपाल क्रेडिट एण्ड कमर्स बैंक लि.
Nepal Credit & Commerce Bank Ltd.

CREDIT POLICY GUIDELINES (CPG-2072)

2016

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PREAMBLE

In exercise of the power conferred by the Bank and Financial Institution Act 2063, NRB Directives and the Article of Association of Nepal Credit and Commerce Bank Ltd. (NCC Bank) the Management Committee (Board) of the Bank has promulgated this Credit Policy Guidelines (CPG) to be implemented upon receipt of approval from Nepal Rastra Bank. The purpose of this policy is to provide a framework for fair and efficient management of credit function of NCC Bank.

1. INTRODUCTION

- a. This Credit Policy Guidelines (CPG) document states and defines NCC Bank's policies, rules and philosophy for the fund based as well as non-fund based credit exposures for better risk management and maintains quality of risk assets.
- b. The Credit Policy is designed based on the past experience of the Bank Management and reflects long-term expectations. This policy represents a key element of uniform, constructive and risk aware credit culture throughout the Bank. This credit culture in turn relies upon the personal integrity and a commitment to place long term interests of the Bank ahead of the short-term interests of a particular business unit/ department.
- c. This document comes in force from the date of approval by the Board of the Bank and Nepal Rastra Bank (NRB). All concerned engaged in credit operation and management within the NCC Bank shall adhere to it.
- d. The Board of NCC Bank may amend this document from time to time to meet changing business need and regulatory requirements.
- e. All employees of the Bank, engaged in any phase of lending operations, must be familiar with the contents of this document, its periodic amendments and supplements, etc. *Bank employees shall not copy, distribute, reveal the contents to outsiders, or otherwise use this CPG for any purpose other than in the course of and for the purpose of the business of the Bank.*
- f. This document contains broad policy guidelines. The management shall carry out its credit operations; formulate and implement credit procedures based on these broad policy guidelines.
- g. In case any provision under this document be found contradictory to prevailing Government Laws, regulations and directives and the Nepal Rastra Bank's rules, directives, circulars, etc the provisions under this

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policy to the extent contradicted shall remain null and the legal/statutory provisions shall prevail.

- h. The Board of Directors or any committees constituted by the Board and the Chief Executive Officer shall not be restricted to take any decision in deviation to the procedures laid down in this policy.

2. GOALS & OBJECTIVES

The principle and rationale of the credit policy of the Bank is to protect the interest of its stakeholders and to maximize return on their investment. It shall be the Bank's principal credit policy to meet the following goals and objectives:

- a. Promote and uphold the image of the Bank as an ethical, cultured, quality-conscious, innovative and profitable institution. All credit extensions must be guided by these principles.
- b. Pursue and maintain high-quality, low risk loan portfolio while simultaneously maximizing profits by protecting the Bank's spread, earning fees and commissions. In this context, the Bank will strive to maintain a well-balanced and consciously designed loan portfolio in terms of industry exposure, sector and maturity.
- c. Favour well-designed long-term relationships over short-term or one-time relationships with corporate borrowers or individuals.
- d. Achieve profitability while competing vigorously with other financial institutions in the market place. NCC Bank shall view other Banks/financial institutions as primary competitors and hence strive to do better in terms of quality of service, diversity of products and competitive pricing.
- e. Manage credit risk portfolio within the risk appetite of the bank encouraging well diversified low risk credit portfolios as made provision in Basel Framework designed by NRB.

With a view to attain above goals,

- f. The Bank shall place high priority on the quality of Risk Assets. The credit relationship with the Bank must meet the credit criteria while the portfolio should be under continuous review to minimize the risk and improve the quality of risk assets. The Bank shall prefer to extend regular amortizing and self-liquidating loans.
- g. The Bank shall constantly strive for ensuring adequate return on its investment from its credit exposure. In order to compete effectively and

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successfully in the market, new lending opportunities should be explored and the bargaining power/ negotiating skills should be fully employed. Innovative deployment of the Bank's resources to increase return on assets will be encouraged.

- h. Risk dispersion is basic to sound credit principles and policies. Diversification of products and services is the key to minimize risk. Large and undue concentration of credit to a single sector, group of borrowers should be avoided. Therefore, the Bank will strive to cater new business opportunities that ensure return with lower risk perception and increase customer base. The risk diversification should follow the prescribed norms as set forth in the NRB directives.
- i. The Bank should strive to maintain a low and efficient cost of operation. Increase in customer base must be weighted against cost in terms of expenses, time and service.
- j. Lending decisions must consciously focus on optimizing the use of capital funds and maintain a comfortable capital fund (based on Basel Framework) and adequate liquidity to meet the demands of funds.
- k. The Bank will endeavor to improve the market share for enhancement of shareholders' value.
- l. To minimize/manage the credit risk, the bank shall develop stress testing system (other than NRB developed stress testing framework).

3. GENREAL PRINCIPLES OF CREDIT

In order to achieve the objectives of the credit policy, safeguard interest of stakeholders and the depositors, the Bank will disburse loans and advances only to sound credit customer. The loan shall be disbursed keeping in view the risk grade, economic sector, security coverage, viability of the business/project and the borrower's integrity. The basic principles that the Bank will follow will be as under;

- a. Bank will not lend any advances to Blacklisted Customer enlisted by CIC. In the event an existing customer of the Bank is being blacklisted, the bank will not provide any fresh loans and advances including renewal, restructuring and extensions to those customers. The Bank will endeavour to exit such loans and advances extended to those customers.
- b. The loans and advances or any other credit facilities will not be granted without obtaining approval from competent authority and security as defined under Section 9 of this policy.



- c. The Bank shall not extend loan and advances and any credit facilities exceeding the Single Obligator Limit (SOL) to a customer or a group of customers as prescribed by Nepal Rastra Bank from time to time.
- d. The Bank will endeavor to avoid over dependence on large exposure to a single customer/customer group. Exposure backed by Fixed Deposit Receipts of the Bank, Government Bonds, NRB Debt Instruments and such other near cash items shall be excluded from the exposure for this purpose, however over-reliance will be avoided.
- e. Diversification of the Risk Asset portfolio shall continue to be crucial for the Bank. Similarly the new investment opportunities should be capitalized and accentuated/stressed upon.
- f. Stress shall be on to compete in the market efficiently by offering new products.
- g. The Bank shall not finance the business which is restricted by Nepal Rastra Bank or any competent authority.
- h. The bank will not finance the politically exposed persons (PEPs) as defined by KYC due diligence and Anti Money Laundering Policy of the bank.

4. PRINCIPLES OF LENDING

- a. All credit facilities to be extended to the customer must make economic sense and must be for a legitimate purpose. The objectives of the financing must be closely examined and confirmed before extending the credit.
- b. Any credit proposal received by the Bank should be properly analyzed and the underlying risks must be thoroughly understood and approved before disbursement of loans and advances:

Capital: Ensure that the required capital/margin is invested by the borrower.

Capacity: Ensure that the borrower has capacity to avail the credit facility, properly use and repay within stipulated time. The capacity of the borrower to repay its obligations through internal cash generation must be analyzed thoroughly. In addition, secondary and tertiary sources of repayment must be fully examined. The financial analysis must be based on recent performance and trends as evidenced by financial



statements, audited if possible and such other data that may reveal the scope of risk inherent in the exposure represented by the relationship. NCC Bank shall generally require that financial statements be included on loan applications whenever possible.

Character: The integrity of the borrower should be examined and ensure their willingness to pay. Management's character in terms of reputation, professional competence, experience and track record is the single most important factor in the extension of credit and must be thoroughly evaluated. Other factors to be considered are the turnover of management personnel and the existence of secondary level of decision-makers in the management structure. In all cases, NCC Bank must have direct access to key management personnel of the borrower.

Competence: Should be satisfied with the competence of the borrower.

Condition: Must be satisfied with the condition of the business the borrower involved in. The borrower's competitive ability must be clearly established. Thus, the borrower's market sector, production efficiency, industry outlook, condition of its major suppliers etc. of raw materials and equipment and regulators constraints must be assessed.

Collateral: Ensure that sufficient collateral/security is available to secure the loan.

Compliance: Ensure that the loan is fully complied with prevailing acts, rules, regulations, directives, circulars and bank's internal lending policies.

c. The staff working in the credit department/branch/credit chain of the Bank should possess following attributes,

- i. The principles of honesty and integrity.
- ii. The interest of the stakeholders should be protected at all times.
- iii. Should behave ethically in all credit activities. The staff must act with complete transparency and integrity to protect the interest of Creditors, Depositors and Shareholders of the Bank.
- iv. Should be diligent in ensuring that credit exposure and activities comply with the Bank's policy and procedures and in compliance

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with Nepal Government's rules, regulations & Law, Nepal Rastra Bank directives and circulars.

- v. Should be proactive in dealing, identifying, and managing credit risk to optimize risk and rewards. They should communicate such information about the borrower to higher authorities.
- vi. Should be proactive in managing defaults.

5. CREDIT APPROVAL DISCRETION (CAD) & AUTHORITY AND RESPONSIBILITY OF MANAGEMENT

a. Credit Approval Discretion (CAD) & Authority Of Management

- i. All Credit Approval Discretion (CAD) rest with the Board of the Bank.
- ii. The Board may delegate CAD to the Chief Executive Officer/or any committee of the Bank in the interest of providing quick and efficient services to the Bank's client.
- iii. The Chief Executive Officer/or committee may further delegate the CAD in whole or part to Executives/Managers/Branch Managers/Officers, etc. so as to make quick, effective and efficient credit decisions in the best interest of the Bank. The CAD may be delegated depending upon the need of the job and capability of sound credit judgment but not by virtue of holding a position alone. Hence, no ex-officio members are allowed to exercise the discretion provided to a CAD holder.
- iv. Delegation of authority is not to be confused as a relief from responsibility for credit decisions. The authority may be delegated; responsibility for credit decision remains with the delegating body. The delegation continues with the responsibility of seeing that these authorities are used wisely, prudently and in the best interest of the Bank.
- v. CAD should be exercised on a Customer/Customer Group basis as per Bank/Nepal Rastra Bank rules.
- vi. The delegated authority to extend credit shall be reviewed periodically or as often as business condition changes and shall be put up in a competent authority for approval.
- vii. It shall be prerogative of the Chief Executive Officer to indicate the authority limits for each individual Executives, Managers, Branch Managers and Officers.



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- viii. The CAD holder of the Bank shall not extend / approve any lines of credit to any organization where he/she has financial interest.
 - ix. The Chief Executive Officer may suspend the CAD of Executives, Managers, Branch Managers and Officers at its discretion without assigning any reason thereof.

b. Authority of Branches

- i. The Branch Managers shall not approve and/or disburse any loan that does not fall under/within his/her delegated authority. Therefore, Branch Manager should obtain approval from the competent higher authorities for the proposal falling beyond their CAD.
- ii. The credit memorandum forwarded by Branch seeking approval from corporate office should be signed at least by two personnel including Branch In-charge (if the branch manager is on leave, the CAM should be endorsed upon resume his/her duty) and submitted to Credit Risk Department through Corporate Credit unit/SME & Retail Credit unit heads at Corporate Office for further screening/processing. The Credit Risk Department after screening of the credit memorandum should recommend for approval/decline to respective CAD holder through the credit chain.

c. Responsibility

- i. It will be the responsibility of the staff in Credit Department (at Corporate and Branch level) of the Bank to follow and implement the Credit Policy of the Bank in its letter and spirit.
- ii. Proper management of the loan portfolio will be the key responsibility of the management of the Bank.
- iii. The management/CAD holder/managers/staff working in Credit Department shall be responsible for maintaining the quality of credit.
- iv. The Bank management will ensure that all the staff working in credit department and in other functions of the Bank that are directly or indirectly responsible for credit disbursement will maintain high standard of integrity and follow good moral value and be an example to others. Their lifestyle, nature of expenses made by them and their financial status shall be closely monitored to ensure their high level of honesty and ethical practice. No person having doubtful character should be allowed to be a part of Credit Department of the Bank.



- v. The staff of NCC Bank shall not extend credit accommodations in favour of any organizations, including charitable organizations, of which that staff is a director or an officer.
- vi. Employees of Credit Department (including in Branch offices) should refrain from participation in the approval of credit accommodations extended to any organization/ individual with whom that officer has direct or indirect interest.

6. CUSTOMERS

a. Know Your Customer

- i. Customers need Bank for availing Banking facilities/services to support their business activities. Whereas the Bank need customers for generating the revenue and to acquire profitable businesses. This is how, the mutually beneficial business exist between the two parties. The mutually beneficial relationship is possible when each party is thoroughly familiarized with the character, moral, philosophy and values of the other party.
- ii. The principle of Know Your Customer applies in every circumstance and in every line of business the Bank is engaged in. The staff of the Bank will not maintain relationship with those customers who do not meet the Bank's established policy or who generates revenue from undetermined or questionable activities. The relationship officer or any authorized officer who detects any of the customer engaged in unacceptable activities that violates the policy, procedure and practice of the Bank, should bring such information into the attention of the approving authority of the Bank.
- iii. The Relationship Officers must maintain frequent contact, at least quarterly/monthly with their clients and record the content of these discussions through Call report, diary note, file note, etc in the credit file of each customer and will be part of the credit document.
- iv. NRB Guidelines for Know Your Customer shall be treated as crucial part of this policy.

b. Customer Type:

The customer types that this document applies are as follows:

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- i. **Corporate /Commercial Entities:** Private and Public Limited Company, Partnership Firm, Proprietorship Firm etc incorporated as prevailing Acts of Government of Nepal.
 - ii. **Government:** Government Departments or Bodies of Nepal Government. If the borrower is majority-owned or controlled by the state or Government agency, its existence by a charter or law must be assessed. Its scope of ownership and the amount of support to which the Nepal Government is committed to provide for the borrower's operation must be determined. Further, it must be established if political influence has a direct bearing on the borrower's ownership profile. While ownership that is identified with politics is not necessarily an unacceptable risk in itself, NCC Bank must ensure that such institutions are assessed on equal footing with private institutions and ensure total transparency in all credit actions undertaken by the Bank.
 - iii. **Financial Institutions:** Commercial Banks, Development Banks, Merchant Banks, Finance Companies, Micro Finances, Leasing Companies, Finance Co-operatives and NGOs operating micro credit facilities authorized from NRB.
 - iv. **Personal Borrower:** Individual(s) having Nepalese Citizenship.
 - v. **Foreign Entities:** Foreign entities incorporated under their resident country's prevailing Acts authorized by NRB.

7. HIGH RISK LENDING

- a. The Bank has classified following areas of lending as high risk lending. Therefore, for financing such proposals specific justification shall have to be produced with assurance of adequate safety measures. Such credit proposals should be marked as "High Risk Lending".
 - i. **Inferior Security Position:** Facilities are to be avoided where the Bank will be in inferior security position. An exception will apply only in case of an exceptionally low credit risk and where only short term credit limits are extended.
 - ii. **Non Availability of Financials:** Credit proposals, which are not supported by the financial statement, income statements or proper income documents should be viewed as high risk lending due to the sheer fact that such situation deprive the Bank of an insight into the customer's financial standing and thereby repayment capacity.



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- iii. **Non Resident Borrower:** Granting credit facilities to non-resident borrowers is a high-risk activity as it is more difficult to keep track on the borrower's credit worthiness. In addition, recovery efforts may be impeded where more than one legal domicile is involved.
 - iv. **Start up venture:** Granting credit facilities to start up venture promoted by new promoters without having adequate expertise in the given field and the exiting promoters setting up a new venture different from their existing field of business shall be considered high risk lending.
 - v. **Speculative Loans:** Granting credit facilities with expectation of speculative gain without any proper justification shall be considered as speculative loans. Such requests shall best be avoided.

b. The Bank will not finance:

- i. Politicians or political parties for political purpose,
- ii. Which facilitate money-laundering activities,
- iii. Margin lending against the Initial Public Offering Receipt,
- iv. Swap/refinance of loans in favour of a defaulting customer of another BFIs,
- v. Counter parties blacklisted by CIC and/ or competent authority,
- vi. Non-medicinal Drugs,
- vii. Other counter parties who are prohibited to borrow from the Bank as per NRB directives,
- viii. Loans to gambling enterprise or to other business of dubious origins,
- ix. Equity financing,
- x. Against financial guarantee of Local BFIs.
- xi. Persons charged/declared as criminal (financial/other) by the court,
- xii. Terrorist activities,
- xiii. Armors and weapons,
- xiv. Any other activities, which may be deemed unethical and prohibited by prevailing laws, rules, regulation, NRB directives and circulars.

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8. CREDIT PRODUCTS

A. Fund Based Credit Product:

The following Fund Based credit products existing with the Bank will be continued and new products will be developed to meet the need of various segment of economy from time to time:

a. Working Capital Loan:

Working Capital loans are sanctioned to finance the current assets of the borrower. The working capital can be of evergreen nature of requirement or of seasonal requirement to meet for the specific period or a season. In order to finance the working capital requirement of the business of the customer, the Bank will provide working capital loans that can be sanctioned in the following forms: -

i. Overdraft (OD) and /or Cash Credit (CC) :

The OD/CC limit is to be provided within the approved limit to the customer to finance its cash flow gap/working capital requirement. The facility helps the borrower in managing its liquidity within the stipulated time period. Use of OD/CC reveals net working capital requirement of business of a borrower.

The overdraft facility may be provided to individuals against self owned assets.

ii. Demand Loan (DL)/ Short Term Loan (STL) :

The DL/STL is to be provided to business units to finance the short terms current assets/ seasonal business requirement/ working capital requirement. The DL/STL will generally be provided for up to one year.

iii. Pledge Loan (PGL):

Pledge loan shall be granted to a trading/manufacturing business unit against pledge of goods, stocks and shares, documents of title of goods and any other movable property.

iv. Temporary Overdraft (TOD) :

Temporary Overdraft facility will be provided to the existing borrowers for the purpose of accommodating their short term working capital

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requirement in excess of already approved limits. The TOD's will be provided for a short period of time, generally for 90 days.

v. Import Finance / Trust Receipt Loan (IF/TR) :

Loan to finance the goods imported under Letter of Credit/Telex Transfer/Document Against Payment (DAP) etc. The tenure of such loan will not exceed 120 days and or as directed by Bank/Nepal Rastra Bank from time to time.

vi. Export Credit (EC) :

Loan to finance exporter to export goods and services under the Letter of Credit arrangement. This includes Pre-shipment and Post Shipment Loan.

b. Bills Financing:

I. Export Bill Finance :

Loan to be granted by taking charge on the export documents or purchase/discount/negotiate of export documents.

II. Cheque/Draft Purchase/discounting :

Under this facility the instruments like Cheque/Draft shall be purchased or discounted to provide cash against the instrument drawn. Such facility shall be granted to the customer having credit line with the Bank or the highly trust worthy customer.

c. Term Loan:

Term Loans are granted basically to create the fixed assets or to bear the capital expenditure funding where the repayment period extends more than one year. Risk evaluation to examine a healthy and sustainable cash flow is crucial as these loans are of a longer-term nature. Sources of repayment of this type of loan will be over the years based on cash flow generated by the asset being acquired. Therefore, it is important to ensure that the repayment of loan is in line with the cash flow of the customer.

i. Long Term and Medium Term Loan (TL & MTL) :

TL and MTL will be provided by the Bank for fixed assets investment such as purchase of land, construction of building, factory, complex, plant and acquiring machineries and such other financing activities that requires long term repayment.

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ii. Bridge Financing (BF):

The BF will be provided for short term or medium term period as interim finance in anticipation of financing for longer duration.

d. Retail Loan:

i. Home Loan (HL):

HL will be provided primarily for purchase/construction of land/land and building/flat/duplex/commercial complex/apartment etc.

ii. Eazy Loan (EL):

EL will be provided primarily for financing personal/business financial requirement in the form of terminating or revolving basis depending upon the nature of requirement.

iii. Personal Loan (PL):

PL will be provided primarily for fixed asset investment and or to meet personal financial requirement by an individual.

iv. Hire Purchase Loan (HP):

HPL will be provided to acquire durable & movable fixed assets such as equipments, vehicles etc basically for commercial use.

v. Vehicle Loan (VL) :

The vehicle loan will be provided for purchase of vehicles which will be personally used.

vi. Education Loan (EL):

The loan shall be provided in order to finance the parents and or the student for their/his/her higher education.

vii. Loan Against Gold (GL) :

Loan extended against the pledge of gold and gold ornaments as per the pricing and insurance policy guidelines of the Bank.

viii. Small Business Loan(SBL):

SBL will be provided for financing small and medium sized business enterprises in the form of working capital loan/Demand Loan and/or Term Loan depending upon the nature of requirement.

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ix. NCC Small Agriculture Loan(AGR):

AGR loan will be provided for fulfilling the financing need (Working Capital as well as Fixed Capital) of Nepalese Farmers for agriculture purpose.

x. NCC Foreign Employment Loan(FEL):

FEL will be provided for financing individual seeking foreign employment to aboard.

xi. NCC Krishi and Laghu Udaymi Karja (KALU)

KALU loan will be provided to meet financial requirement of the people who are involved in agriculture, small business and cottage industries with low/ moderately income generating activities.

xii. Other Retail Loan:

The bank may develop new type of retail loan products or amend existing products/loans to include in retail loan under approval of the Board.

e. Other Loan:

i. Loan Against Fixed Deposit Receipt (FDR Loan) :

Loan granted against FDR of the.

ii. Loan Against Shares (SL):

Loan granted against the pledge/security of shares of approved listed Public Limited Companies in Nepal Stock Exchange (NEPSE).

iii. Loan Against Government Securities :

Loan granted against the Government Securities such as National Saving Bond and Development Bond etc.

iv. Loan Against Bank Guarantee:

Loan granted against the guarantee of Foreign Banks and Financial Institutions.

v. Forced Loan :

To affect the payment against the contingent liabilities like Letter of Credit and Letter of Guarantee etc issued by the bank incase of failure of the borrower to arrange the fund for settlement of the same. These loans are

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created by the Bank on no choice basis by charging latest higher published rate of interest of the bank.

vi. Deprived Sector Loan :

Deprived sector lending is desirable and prioritized as per the national policy objectives of the Government of Nepal to empower socially and financially to the deprived people such as Mahila, Janjati, Dalit, Farmers and foreign workers etc. However, such facilities should fall within the framework of credit risk assessment of the Bank.

NCC Bank will allocate funds to support this sector and see that funds allocated for this sector are used for end use as per specified purpose and that repayments are achieved and the target groups are benefited.

f. Consortium Loan/ Syndicate Loan:

Incase of big projects requiring large amount of finance, single bank and financial institution may not willing to take all risk or the capacity of a single bank and financial institution may not be enough to meet the total fund requirement. Therefore, they may require other financial institutions to participate in financing such projects. NCC Bank shall lead/participate in financing fixed assets and current assets through Consortium or Syndicate Loan arrangement wherever opportunity arises.

g. Ad-hoc Facilities:

Bank may also have to provide ad-hoc credit facilities, fund based as well as non-fund based to the customers (existing and/or new) on the following circumstances,

- i. To the existing customers to meet increased requirement of the borrower until the additional limit is fixed.
- ii. To meet customers one-off requirements.
- iii. To cope with the competition with the understanding that the customer will immediately process for the regular limit.

Such facilities shall be provided strictly after assessment of the business, track record, nature of business, specified job in hand and reliable repayment sources for repayment etc.

h. Buffer (Top Up) facilities:

Bank may approve an additional Funded and Non Funded limits on account of regular and prime customers on selective basis to impart their immediate need of credit in case of regular limits are already occupied. However such limits shall be

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restricted to 20% of overall exposure of the borrower (for the subject business unit) and shall be provided for Bid Bond (BB) and Short Term Loans (STL) to be repaid within 3 months only. Such facilities shall not be advised to the borrower formally through their sanction letter however shall be exercised by the branch on its own at the time of dire need. It will therefore be charged on 1% additional interest rate to the corresponding regular limits of the borrower.

Such facilities shall be provided strictly after assessment of the business, track record, nature of business, specified job in hand and reliable repayment sources for repayment, rate of advance etc. It is entirely separate from Ad -hoc limit.

B. Non-Fund Based Credit Product

Non fund based credit products existing with the Bank are and will be developed to meet the need of the market from time to time. The Bank will continue / introduce to provide following non-fund based credit facilities to its customer.

a. Letters of credit (LC):

The LC is a written undertaking or obligation of a Bank made at the request of a customer to honor draft or any demand of payments, and acceptance made up on the Bank by the seller, provided that the seller has complied with the terms and conditions of LC. The Bank will continue to provide the LC credit facility in its various forms such as Sight, Differed Payment, Usance, etc.

b. Letter of Guarantee (LG):

The letter of guarantee is an undertaking by the Bank on behalf of the customer to pay a certain sum of money to named beneficiary upon its claim provided all the terms and conditions of the guarantee is made. The Bank will to provide Bank Guarantee facilities in its various forms such as Bid Bond, Performance Bond, Suppliers Credit Guarantee, Advance Payment Guarantee, Counter Guarantee etc. Bank will not issue open-ended guarantee nor accept such guarantees.

c. Exceptions:

- a. All consumer loans will have a product paper approved by the Board. Such consumer loans shall be governed by the terms of the respective product papers.
- b. Renaming, replacing, and introduction of new fund based facilities shall be performed by the Bank depending upon market requirement and Bank's overall strategy as decided from time to time.



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- c. Transaction backed by 100% cash, Government Bond or Guarantee from acceptable foreign financial institutions and deposit held with the Bank does not require a structured product.

9. SECURITY & COLLATERAL

a. General Policy Guidelines

- i. Each credit facility should be secured by tangible security in the form of fixed assets, current assets, cash/near cash items, etc.
- ii. The standard real estate collateral coverage required for the fund based as well non-fund based credit facilities shall be as defined in the "Credit Strategy" document of the Bank. The required coverage shall be reviewed from time to time based on the economic conditions of the country.
- iii. The loan against the security of Personal Guarantee only should not be extended unless there is strong risk mitigating factors.
- iv. Shares of Private Limited Company as a security shall not be accepted.
- v. Security of shares of listed public limited company (local/foreign), which has been listed and actively traded in/with the Nepal Stock Exchange Limited, may be accepted within the framework of NRB directives and/or Bank's policy.
- vi. Security documentation should be executed in pre-approved format of the Bank's designated employee.
- vii. The method of valuation of property formulated by the Bank's management through credit manual/circular shall be continued to be followed which is subject to change from time to time.
- viii. All immovable (real estate) properties offered as collateral should be valued by the Bank's approved valuator and the same should be revalued at least once in every three years. However, the Chief Executive Officer/Committee may waive the valuation requirement in case of consortium loans where the consortium takes collective decision of such waiver.

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- ix. Registration of the mortgage of immovable property with Land Revenue Office shall be obtained prior to disbursement of loan. Such registration shall be reconfirmed at least once in every three years.
- x. With a view to protect the Bank's interest in any exposures, immovable properties not having registration of mortgage may be stopped (Rokka) by the Bank from being transacted at the Land Revenue Office. Prevalence of such Rokka shall also be confirmed at least once in every two/three years.
- xi. All the properties registered/mortgaged/hypothecated/pledged in the name of the bank should be insured annually to cover the risk of uncertainty.
- xii. The Chief Executive Officer/Committee will approve the list of valuators and insurance companies on the recommendation of CRD. The valuation of the immovable securities should be carried out only by the approved valuators. In case of vehicle, valuation carried out by the recondition house or authorized dealer of the vehicle may be entertained.

b. Acceptable Types of Securities

In order to be recognized as security, all items to be charged to the Bank must have physical control and/or legal title thereto together with the necessary documentation to enable us to realize the assets without the co-operation of the owner of the assets.

The Bank shall accept the following types of securities from borrowers to secure loans and advances,

i. Mortgage :

Mortgage of immovable property registered with Government of Nepal, Land Registration Office in favour of the Bank.

ii. Hypothecation :

It is a mode of creating legal charge over the stocks/ accounts receivable and other assets. Currently, Nepal does not have appropriate legal mechanism of registration of such charge yet, it virtually has been as good as the integrity of the borrower so Bank should be extremely cautious on the integrity.

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iii. Cash value of life insurance policies :

A contract whereby the assuror, i.e., the insurance company, in consideration of one or more premiums, undertakes to pay the assured or his beneficiaries, a certain sum of money, with or without profits, in the event of a certain happening i.e., maturity or death, whichever takes place earlier. Some policies develop a cash value as each year's premium is paid. All existing cash value must be assigned or endorsed to the Bank.

iv. Saleable goods under the control of the Bank (pledge) :

Loan against which the Bank or Bank's agent undertakes physical possession of saleable goods and released, in whole or part, to the customer on partially/full payment of the debt.

v. Pledge of Gold/Silver :

Bank may accept this valuable as security with proper mechanism of verification of genuinely and safety margin with conservative pricing mechanism.

vi. Lien/Registration on movable property :

Registration of Bank's interest in any type of motor vehicles.

vii. Blocked credit balance accounts under the Bank's control :

This refers to the right of Bank to retain that which is in his possession but belonging to another until certain demands of the possessor are met, such as current/savings Bank balances, fixed deposit receipts held as securities for loans or foreign currency account balances.

viii. Trade Bills: Export and Import documents :

Trade bills are bills which are accompanied with the documents of title, i.e., Bills of Lading, Airway Bills or Railway Consignment Notes made to order/notify party or in the name of the Bank; Marine Insurance Policies or Certificate of Commercial and Consular Invoices, Certificate of Origin, etc may be considered as securities for funds advanced against such bills.

ix. Government Securities :

This refers to Government Stock, Treasury Notes, Treasury Bills, or Special Government Bonds.



x. Acceptable shares listed on the Nepal Stock Exchange Limited :

Quoted shares in creditworthy companies traded over the Nepal Stock Exchange Limited on the book value or with adequate margin for eventual swings in the market price as per Nepal Rastra Bank's directives/ Bank's policy.

xi. Unconditional Guarantee of acceptable international bank :

Unconditional financial guarantees issued by foreign bank and financial institutions may be an acceptable form of security. Such banks/institution shall be reputed ones (having Export Credit Arrangement (ECA) rating lower than 2 published on the OECD's website (<http://www.oecd.org>) in the Export Credit Arrangement web page of the Trade Directorate. Updated ECA score shall be obtained while granting loan.

xii. Standby Letter of Credit/Bank Guarantees:

A Stand-by Letter of Credit/ Bank Guarantee is a form of guarantee issued by a commercial Bank on behalf of one of their customers. It is a desirable form of guarantee from the standpoint of a creditor because the resources of the Bank support the guarantee issued.

Whenever Stand-by L/Cs or Guarantees are, on the other hand, offered to the Bank as a form of guarantee, cautious effort must be exerted to determine the financial condition and market reputation of the issuing Bank.

xiii. Personal/Corporate Guarantee :

Personal Guarantees/Corporate is acceptable forms of additional securitization. However, it is not desirable to extend credit purely on the basis of such securities unless justified otherwise. The credit worthiness of the guarantor should be established at the time the credit is extended and validated on a regular basis during the life of the credit extension supported by the guarantor.

Personal Guarantees of individual of demonstrated creditworthiness and good financial standing shall be obtained as a part of strengthening the security. Personal guarantees whenever accepted should be accepted with a full and separate analysis of the guarantor's ability to service the debt has been confirmed as part of the credit request under consideration.



xiv. Corporate Guarantee for Subsidiaries :

In the course of operations, the Bank may make available lines of credit and loans to the subsidiaries, or affiliates of major companies/Group companies. Situations arise, however, whereby such subsidiaries or affiliates are not by themselves creditworthy and have to rely on the strength of their parent company's guarantees to secure the necessary credit facilities. These situations usually occur when a subsidiary is in its initial years of operation and still not generating sustainable profits sufficient to serve Bank or trade debt. On the other hand, a subsidiary may have already established but is presently experiencing business downturn. In such circumstances the Bank will have to turn to the owner or parent company for either an infusion of fresh cash into the borrower or undertaking a guarantee that if called upon by Bank to repay the debt on behalf of the borrower it will immediately repay outstanding principal and all interest and charges owing.

The Bank will pursue for parent company guarantees when borrowing customers who are subsidiaries or affiliates, of other companies do not pass the Bank's standard for credit worthiness. When accepting a parent company guarantee to a credit facility, the Bank requires that credit checking and a financial analysis of the parent company be undertaken because the facilities being provided to the borrower are extended on the strength of the parent company's character and financial condition.

xv. Real Estate Collateral (*Land and Building*) :

The kinds of real estate property that are suitable to collateralize a loan should have the following attributes:

- a. Value must be readily ascertainable and easily saleable.
- b. Should have motorable road access unless otherwise specifically stipulated by Nepal Rastra Bank circulars from time to time.
- c. Should have high resale prospect.
- d. Preferably free from Guthi Ownership
- e. Value must be reasonably stable and must provide sufficient margin for potential depreciation.
- f. Legal title must be clear and unencumbered to permit ownership to pass to the lender safely, unquestionably, without complication or undue trouble and expense.



- g. Free from tenant's right.

10. CUSTOMER CONTROL

- a. Consistent with the Bank's ideal goal of maintaining a diversified loan portfolio, the imposition of limits to business firms who are part of a group of companies, or whose ownership is effectively the same business entity or individual, is a natural consequence. Collectively treating all such related firms as one is referred to as group exposure.
- b. To provide for a diversification in the Bank's loan portfolio through the imposition of limits or ceilings on loans to related entities or belonging to be the same group of business interests are regarded as a "single borrower".
- c. All customers should be grouped as per the directives of Nepal Rastra Bank for Single Obligor Limit (SOL) purpose.
- d. All customer/Customer Groups should be managed/ monitored by the Credit Department of the respective Branch and monitored by the Credit Risk Department and/or Credit Operation Department –Corporate Office.

11. PORTFOLIO MANAGEMENT

- a. The Bank's total funded portfolio should be guided by the sectoral limit norms prescribed by the Nepal Rastra Bank directives/Bank's policy.
- b. The Bank so as to attain and maintain a loan portfolio that is well diversified in terms of exposure to various economic/industrial sectors shall impose ceiling on their total exposure to each sector. These ceilings are reviewed regularly in conjunction with the Bank's assessment of prospects for the different industries. Recommendations for upgrading or downgrading of exposure shall generally be supported by industry studies. Decisions on such matters shall be addressed to the Board.
- c. The Bank shall impose quantitative restrictions on the concentration of credit to specific industries and other activities. Such restriction shall be subject to regular review, ensuring that they are relevant to the changing time and conditions, within the framework of regulatory guidelines.
- d. Diversification of the loan portfolio and minimizing the risk of concentration in one sector will be the one of the prime concern of the Bank.



- e. Diversification of the loan portfolio shall also be based on credit risk assets categorized by Basel Framework.
- f. In order to ensure proper portfolio management, the Bank may purchase or sale the credit in case of requirement. Such activities will be facilitated under framework of NRB directives.

12. PRICING OF LOANS

- a. Pricing i.e. rate of interest, commission, fees, service charges, penal interest, etc of products will be determined by the Asset Liability Committee (ALCO) of the Bank from time to time remaining under the broad policy framework approved/instructed by the Board.
- b. The account profitability of each customer/customer group should be reviewed at least once at the time of annual review of the account.
- c. Interest on loans and advances will be charged on diminishing/outstanding balance on daily basis.
- d. Pricing is generally determined so as to optimize the earnings of the Bank taking considerations of following cost factors:
 - i. Cost of Funds
 - ii. Cost of Reserve with the NRB
 - iii. Provisioning Requirement
 - iv. Business Condition
 - v. Risk weight as Basel Capital Adequacy Framework.
 - vi. Extent of Risk
 - vii. Tax Implication
 - viii. Administrative Expenses
 - ix. The volume of the customer's business with the Bank
 - x. Limitations set by law of land
- e. It will be the strategy of the Bank to fix risk based pricing to its customer. Large loans may attract lower rate of interest if such loan requires less or equal processing cost than other credit extensions to other borrowers and are perceived less risk of default.
- f. In a free market economy, Banks will usually set lower interest rates on loans that cost less to process and on those loans in which the risk factor



is assessed to be lower such as a self-liquidating loan to finance an export or an import under a Letter of Credit. Large loans may also merit a lower interest rate depending on the profitability of the relationship with the customer. More relevantly, however, large performing loans may merit lower interest rates because these are generally granted to borrowers with lower perceived risk of default.

- g. The prime rate is offered to most deserving customers taking in account risk and return from the relationship.
- h. The Bank shall ensure that all credit extensions shall be profitable transactions. In case of restructuring proposals of sick portfolio, the best realization out of the loss or possible loss accounts shall be the basis of pricing.
- i. Management of the Bank is authorized to apply appropriate pricing based on Customer/Customer Group within the range as prescribed by ALCO.
- j. Fees & Commission :
 - The fees and commission related to loans shall be levied as per the prescribed Standard Tariff of Charges circulated by the Bank from time to time.
 - Any concessions and waivers on interest rate/fees and commissions shall be approved by Chief Executive Officer.

13. TENURE /RENEW/REVIEW OF ACCOUNTS

- a. The preferred position is to restrict tenure of term loan within 10 years for business loan. However, tenure up to 20 years may be considered where mitigating circumstances are substantiated and overriding business conditions are available.
- b. The working capital loan limit will be provided for a maximum period of one year which is subject to renew; if the past performance of the customer is found satisfactory and the relationship with the borrower is expected to be profitable. The Bank may extend the existing credit facilities for a maximum period of three months in circumstances where the renewal can not be performed on technical grounds.
- c. The ad-hoc facility can be provided for a maximum period of 6 months. However, ad-hoc for a period up to 3 months will be preferred so to correct diversion of fund.



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- d. It is permitted to allow grace or moratorium periods for repayment of principal but such moratorium period should not exceed generally one year. In case of infrastructure/project financing requirement longer moratorium period can be considered based on the need of the business, viability of the project and NRB directives.

14. CREDIT APPRAISAL PROCEDURES:

- a. Each credit requests (regular or temporary) except for credit products covered under specific Product Papers should be assessed through a set Credit Appraisal Memorandum (CAM). Following risks, as applicable, to be addressed:
- i. Industry
 - ii. Business
 - iii. Financial and Cash Flow
 - iv. Facility Structure
 - v. Security Coverage
 - vi. Transaction
 - vii. Account Profitability
 - viii. Compliance
 - ix. Others
- b. Each facility should be reviewed to reassess the above risks at least once every year unless a specific product paper (particularly in consumer finance) allows otherwise.
- c. Each facility should at least include the following:
- i. Amount
 - ii. Purpose
 - iii. Products made available
 - iv. Maturity or expiry dates
 - v. Repayment terms
 - vi. Pricing including fees, commission etc.



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- vii. Conditions precedent
 - viii. Waivers, if any
 - ix. Covenants, if any.
 - d. Interest for all loans will be collected as per terms of sanction which will not be less than at quarterly intervals and at the time of final repayment date.
 - e. All term loans should have final draw down date and should not be open-ended commitment. Extension of date of drawdown should be done only after proper risk assessment.
 - f. The existing credit procedural manual and medium credit strategy will be continued to be used for credit management which will be amended/updated from time to time.
 - g. If the facilities are not disbursed within a period of 3 months from the date of sanction within approval term and conditions. Revalidation of such sanctions will be done by the respective CAD holder.

15. INTERNAL RATING/GRADEING

- a. All credit facility will be classified as per Nepal Rastra Bank directives. Accordingly, advances are classified under two broad categories (i) Performing (Pass and PG/Third party) and (ii) Non-Performing (Restructured, Sub-standard, Doubtful and Loss). In addition to this, internal Risk Rating/Grading guidelines will be implemented for each and every loan portfolio. The criteria for classifying the accounts under various asset categories taking into consideration of well defined credit weaknesses and the extent of dependence on collateral security for realization of the dues are given thereto,
- b. Each credit customer shall graded as per the internal credit risk grading guidelines being implemented by the bank.
- c. The high value accounts, accounts having substantial share of the loan portfolio which can alter its risk profile will be under constant surveillance of the Bank.
- d. The methods of categorization/classification of loan accounts will change as per the amendments brought about in the directives of Nepal Rastra Bank and bank's internal credit risk rating/grading guidelines in this respect.



16. CREDIT MONITORING

- a. Branches shall perform mid-term performance review of all loan accounts whose limits are at least in excess of NPA 10 million and procedure described in Credit Procedural Manual.
- b. All credit monitoring should be done by the branch/credit operation department on monthly basis or as may be advised by corporate office/approving authority from time to time.
- c. Credit monitoring by corporate office and branch should be done as per the functions described in Centralized Credit Operation Department, Credit Procedural Manual and Directives on Recovery of Non-Performing Assets and Sale of Non-Banking Assets.
- d. Day to day management of customers should be done by the Relationship Managers/credit support officers at corporate office, which should include:
 - i. Performance Monitoring
 - ii. Exposure Monitoring
 - iii. Excess Monitoring
 - iv. Customer Contact
 - v. Covenant monitoring
 - vi. Stock/Receivables Monitoring
 - vii. Financial assessment and risk category.
 - viii. Identification of deteriorating credits and taking remedial actions.
- e. MIS on credit aspects will be continued to be prepared at regular intervals subject to improvement from time to time.

17. CREDIT INVESTIGATION/INFORMATION

- a. Prudence and due diligence requires that the Bank conduct a credit investigation and analyses the character and financial capacity of each



loan applicant. Character, sometimes referred to as credit standing, can be obtained through credit investigation.

- b. Credit investigation has wide scope and covers checking into the background of both individuals and corporate accounts, such as:
 - i. Background of the company and its history;
 - ii. The management team in place. Present owners/directors should be named and any derogatory information should be noted;
 - iii. Credit dealings with other Banks, financial institutions, suppliers should be verified to the extent possible. Any deficiency / non availability of information should be reported;
 - iv. The Bank's experience with the company should be taken into account if there has been such a previous experience;
 - v. In respect of individual accounts, personal identity cards, including residential and business address, nationality, age, civil status, name of spouse, number of dependents, occupation, employer, annual income and membership in social, civic or religious organizations should be obtained.
 - vi. Credit and depository relationship with other Bank and financial institutions shall also be obtained.
- c. The borrower will usually provide most of the information cited above in the application form. It is essential, however, that such information be verified through independent or other sources. Information not supplied by the prospective borrower should be researched and investigated by the relationship officers/bank's Credit Department.



18. FINANCIAL STATEMENTS

- a. Prudent Banking practice requires the Bank to demand from the loan applicant to submit the financial statement clearly showing its assets and liabilities and income/ expenditure statement. Bank also requires loan applicants who are engaged in business of a substantial volume to submit audited financial statements each year.
- b. Financial Analysis lie at the heart of the credit evaluation process and no thorough or complete processing of a loan application can be possibly be conducted without submission of audited financial statements. In the absence of last audited financial statements, interim un-audited financial statements may be used for preliminary processing but it should always be clear that the audited financial statements should follow.
- c. Analysis of financial is an important feature in the credit evaluation process and provides decision-makers with insight into the financial condition and repayment capability of the prospective borrower. Hence, preferably audited financial statements of past three years and projected financial statement for at least next one year are required for new loan applicants.
- d. Whenever financial statements will not warrant approval of a loan, the relationship officers must substantiate a positive recommendation with other supporting data (verified cautiously with source of such documents) if they are recommending that the loan be made. Some financial statements may be held in serious doubt as to accuracy wherein the relationship officer should exert efforts to find innovative ways to arrive at close to the true figures as possible.
- e. Copy of the loan applicant's tax returns filed for last fiscal year for income tax purpose should be obtained and evaluated to supplement financial analysis.
- f. Periodic returns on at least quarterly basis representing the key financial indicators must be obtained.

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19. DOCUMENTATION

- a. No disbursements should be permitted without completion of all required security documents under any circumstances.
- b. Standard documents must always be used. Any deviation in standard documents requires a legal opinion of in house Legal Department and/or legal advisor, lawyers approved by the Bank as appropriate. Additionally, all necessary procedures must be followed to ensure that our legal rights can not be challenged in the event the Bank is required to realize security charged or seek legal action against the borrower, guarantor and any other who bears the liability for the settlement of loan.
- c. The standard security documents to be executed for various kinds of credit facilities has been stipulated in the Credit Manual which shall be continued to be followed. The Bank management may change the security documents if requirement is felt from time to time.

20. MANAGEMENT OF NON/UNDER PERFORMING ASSETS (NPAs) AND NON-BANKING ASSETS (NBA)

- a. Any loan account, which has been past due (principal/interest payment overdue for more than 90 days) or graded as "low grade" (as per Internal Credit Risk Rating Guidelines) is classified as impaired/non-performing assets.

Invariably some loans turn bad possibly, because of poor credit judgment when the loan was first granted, or because of a downturn in business conditions or simply because of extraneous factors beyond the borrowing customer's or the Bank's control, loans lapses into past due status and become problem accounts. Unless such loans are deemed beyond recovery and are scheduled for court resolution, problem loans are eligible for restructuring.

- b. A past due loan may be restructured/rescheduled as per the acceptable norms, including those prescribed by Nepal Rastra Bank.

Restructuring refers to the changing of any, or all, of the present approved terms and conditions in order to obtain payment at the earliest possible time. Restructuring recognizes the conditions responsible for the loan's difficulties and addresses such so that the loan may eventually be restored to current status and meet repayment schedule.



Existing matured or expired credit facilities, including overdrafts, which are not eligible for extension, renewal or rollover, may be renegotiated, or restructured and placed on a liquidating basis under a new repayment plan.

- c. A specific loan loss provision needs to be raised for each past due/restructured/rescheduled loan as per the Nepal Rastra Bank directives.

However, the Bank will have the liberty to maintain provisioning amount particularly in respect of rescheduled / restructured accounts at a higher level than that is mandatory under the directives of Nepal Rastra Bank.

- d. As required under Nepal Rastra Bank directives, interest accruals on loans will not be recognized as interest income unless realized in cash.
- e. Recovery of non/under-performing loan shall be done as per the provisions of Directives on Recovery of Non-Performing Assets and Sale of Non-Banking Assets, 2071 of the Bank.
- g. All restructuring of non/under-performing accounts (NPAs) shall be dealt upon and negotiated for the best realization for the Bank from the given status of distress and loss for the Bank. Each restructuring decision must be dealt upon case to case basis and decided, as each case shall have unique characteristics.
- h. Cases of those loans that are pending in the court shall be referred as *Items- in-Litigation*. The recovery department shall make serious efforts to conclude such accounts. The management/legal department shall ensure the support of other departments, especially Credit Department and those officers who were involved in extension of credit that has gone for litigation.
- i. Recovery/legal Department shall submit periodic (*at least quarterly*) reports on the status of these cases to the Management.

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21. ROLE OF THE BOARD OF DIRECTORS

- a. The Board of Directors will ensure that authorities given to the Committee/Management is used properly and effectively and practiced by various levels of management. The Board of Directors will also ensure that authorities delegated to committee/management are competitive, suit and match the business interest of the Bank.
- b. The Board of Directors may revise the delegated authority to the Committee/Management from time to time to suit the changing requirement of business.
- c. Board of Directors or the respective CAD holders, as authorized by the Board in this respect, can write off loans, interest, account receivables, etc. after having fully satisfied that all options to realize a particular loan account has been fully explored and exhausted.

22. SYSTEM AND PROCEDURE

- a. In order to implement the Credit Policy Guidelines, the Management shall devise systems and procedures including but not limited to the following.
 - I. Specification of the lending authority given to each credit executive measuring the maximum amount and types of credit that each person or group of person can approve.
 - II. Lines of responsibility in making assignments and reporting information within the Credit Department.
 - III. Operating procedures for soliciting, reviewing, evaluating, and making decisions on customer credit applications.
 - IV. The required documentation that is to accompany each credit application and what must be kept in the Bank's credit files (required financial statements, security agreements, etc)
 - V. Lines of authority within the Bank, detailed who is responsible for maintaining and reviewing the Bank's credit files.
 - VI. Preferred procedures for detecting, analyzing, and working out problem credit and recovery situation.
 - VII. Guidelines for taking, evaluating, and perfecting credit collateral.
 - VIII. Procedures for restructuring of loans.



- ix. Loan classification and provisioning procedures.
- x. Credit Risk Grading procedures
- b. Chief Executive Officer/Committee and or his delegates are authorized to approve the various procedures and formats to be followed and used by the Bank for all credit related matters.

23. COMPLIANCE AND AUDIT

- a. It is necessary that Bank has to avoid situations of non-compliance to regulatory guidelines. First of all, such regulations are often in line to international sound Banking norms and are formulated for the best interest of Banking industry. Each Bank must have its own internal audit and control mechanism to overview that compliance is achieved to NRB directives, statutory audit observations, other regulations as per the country's law and regulations like Bank and Financial Institutions Act, Company Act and any other laws relevant as per the law of land for conducting Banking business. The Bank shall extend proper attention so as to ensure compliance of these issues.
- b. The review of credit transactions through the scrutiny of credit files to determine compliance with established credit policy and procedure is a regular function of the Bank's Internal Audit Department. Documents are checked to determine their appropriateness, validity and safekeeping. Approvals on specific credit extensions are verified against the CAD.
- c. Within the reasonable time of completion of audit, the Internal Audit Department shall submit the audit report to the Audit Committee with a copy to the management. Violations acted upon by the proper authorities.
- d. Audit of the credit transaction shall be centered around,
 - i. Status of the Loan Documentation
 - ii. Repayment of the Loan.
 - iii. Recovery and collection efforts instituted by the branch/department.
 - iv. Adherence to the credit policies and procedures, including the terms and conditions stipulated on the approval.
 - v. Compliance of credit arrangement with prevailing acts, rules, By-rules, regulations, directives and circulars.



- e. The audit function goes beyond verification of documentation and reporting violations. Audit will also confirm whether provisions for losses have been made properly on loan accounts.
- f. Auditors are also encouraged to review and physically inspect the collateral properties and project facilities of the borrowers, including the hire purchase financed vehicles. This is necessary to ensure application of the loan as well as continuation of the borrower's business activities.
- g. The entire loan portfolio of NCC Bank shall be subject to loan review. The loan review function shall be performed within the Bank. This may be undertaken by the Internal audit team and/or a specially assigned team comprising members from within and outside the Bank. **Legal Audit** may also be carried out from time to time to ensure execution and maintenance of proper documentation in respect to all existing loan accounts.

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