



Civil Bank Limited  
Disclosure under BASEL II  
Ashwin End 2075

1. Capital Structure and Capital Adequacy:

(A) Tier 1 Capital and Its Breakdown:

	<i>Amount '000s</i>
<b>Core Capital (Tier 1)</b>	<b>Amount in NPR</b>
Paid up Equity Share Capital	7,259,310.36
Share Premium	36,390.99
Proposed Bonus Equity Shares	744,079.31
Statutory General Reserves	603,671.46
Retained Earnings	649,448.86
Current Year Profit/Loss	121,269.50
Capital Adjustment Reserves	-
Capital Redemption Reserves	35,536.83
Less: Deferred Tax Assets	-
Less: Investment in equity in licensed Financial Institutions	120,615.00
<b>Total Core Capital</b>	<b>9,570,322.32</b>

(B) Tier 2 Capital and Its Breakdown:

	<i>Amount '000s</i>
<b>Supplementary Capital (Tier 2)</b>	<b>Amount in NPR</b>
General loan loss provision	475,621.69
Exchange Equalization Reserve	13,074.62
Investment Adjustment Reserve	1,831.76
<b>Total Supplementary Capital</b>	<b>490,528.07</b>

(C) Detail of Subordinated Term Debts:

There is no Subordinated Term Debts as of Ashwin End 2075.

(D) Deductions from Core Capital:

The Bank has invested in its subsidiary company whose details are as follows:

	<i>Amount '000s</i>
<b>Particulars</b>	<b>Amount in NPR</b>
Civil Capital Market Limited	69,615.00
Civil Laghubitta Bittiya Sanstha Limited	51,000.00
<b>Total Qualifying Capital</b>	<b>120,615.00</b>

(E) Total Qualifying Capital:

	<i>Amount '000s</i>
<b>Particulars</b>	<b>Amount in NPR</b>
Core Capital (Tier 1)	9,329,092.32
Supplementary Capital (Tier 2)	490,528.07
<b>Total Qualifying Capital</b>	<b>9,819,620.39</b>

(F) Capital Adequacy Ratio:

Particulars	Percentage of Total RWE
Capital Adequacy Ratio – Core Capital	18.92%
Capital Adequacy Ratio – Capital Fund	19.92%

2. Risk Exposures :

(A) Risk Weighted Exposures for Credit Risk, Market Risk and Operational Risk

	<i>Amount '000s</i>
Risk Weighted Exposures	Current Year
Risk Weighted Exposure for Credit Risk	42,982,048.57
Risk Weighted Exposure for Operational Risk	2,335,586.67
Risk Weighted Exposure for Market Risk	82,708.01
<i>Adjustments under Pillar II</i>	
Add : Additional Risk Weight as per Capital Adequacy Framework 6.4 a 5	13,212.95
Add : ...% of the total deposits due to insufficient Liquid Assets (6.4 a 6)	1,183,107.62
Add : Additional Risk Weight as per Capital Adequacy Framework 6.4 a 7	886,100.00
Add : Additional Risk Weight as per Capital Adequacy Framework 6.4 a 9	1,816,013.73
Add : 3% of the Total RWE due to non-compliance to Disclosure (6.4 a 10)	
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)</b>	<b>49,298,777.53</b>

(B) Risk Weighted Exposure under each of 11 categories of Credit Risk

	<i>Amount '000s</i>
Category of Credit Risk	Risk Exposure in NPR
Claims on Government and Central Bank	-
Claims on other Official Entities	561,879.56
Claims on Banks	989,083.77
Claims on Corporate and Securities Firms	23,741,769.49
Claims on Regulatory Retail Portfolio (Not Overdue)	6,138,585.73
Claims fulfilling all criterion of regulatory retail except granularity	0.00
Claims secured by Residential Properties	1,256,662.33
Claims secured by residential properties (Overdue)	82,090.09
Claims secured by Commercial Real Estate	680,220.59
Past Due Claims	1,114,488.66
High Risk Claims	3,441,159.33
Investments in equity and other capital instruments of institutions listed in stock exchange	92,879.05
Investments in equity and other capital instruments of institutions not listed in the stock exchange	116,805.45
Staff Loan Secured by Residential Property	158,855.40
Cash in transit and other cash items in the process of collection	0.00
Other Assets	713,616.35
Off Balance Sheet Items	3,893,952.75
<b>Total Credit Risk Exposure</b>	<b>42,982,048.57</b>

(C) Total Risk Weighted Exposure Calculation Table:  
Risk Exposure Calculation for Credit Risk

A. Balance Sheet Exposures	Book Value	Specific	Eligible	Net Value	Risk	Risk
	a	Provision	CRM	d=a-b-c	Weight	Weighted Exposures
		b	c		e	f=d*e
Cash Balance	1,007,378.88	-	-	1,007,378.88	0%	-
Balance With Nepal Rastra Bank	1,775,701.06	-	-	1,775,701.06	0%	-
Gold	-	-	-	-	0%	-
Investment in Nepalese Government Securities	5,125,117.00	-	-	5,125,117.00	0%	-
All Claims on Government of Nepal	16,733.68	167.31	-	16,566.37	0%	-
Investment in Nepal Rastra Bank securities	658,124.44	-	-	658,124.44	0%	-
All claims on Nepal Rastra Bank	388,901.18	-	-	388,901.18	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)	-	-	-	-	0%	-
Claims on Foreign Government and Central Bank (ECA -2)	-	-	-	-	20%	-
Claims on Foreign Government and Central Bank (ECA -3)	-	-	-	-	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)	-	-	-	-	100%	-
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	150%	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 0-1)	-	-	-	-	20%	-
Claims on Public Sector Entity (ECA 2)	-	-	-	-	50%	-
Claims on Public Sector Entity (ECA 3-6)	567,185.00	5,305.44	-	561,879.56	100%	561,879.56
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	3,226,013.36	14,442.15	-	3,211,571.21	20%	642,314.24
Claims on domestic banks that do not meet capital adequacy requirements	2,788.45	2,788.45	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	797,664.30	-	-	797,664.30	20%	159,532.86
Claims on foreign bank (ECA Rating 2)	168,085.04	-	-	168,085.04	50%	84,042.52
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-

Amount '000s

Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	515,970.77	-	-	515,970.77	20%	103,194.15
Claims on Domestic Corporates	24,006,041.26	264,271.77	-	23,741,769.49	100%	23,741,769.49
Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	100%	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	150%	-
Regulatory Retail Portfolio (Not Overdue)	8,283,614.96	98,833.99	-	8,184,780.97	75%	6,138,585.73
Claims fulfilling all criterion of regularity retail except granularity	-	-	-	-	100%	-
Claims secured by residential properties	2,119,154.92	24,717.69	-	2,094,437.22	60%	1,256,662.33
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	108,722.52	26,632.43	-	82,090.09	100%	82,090.09
Claims secured by Commercial real estate	690,941.28	10,720.69	-	680,220.59	100%	680,220.59
Past due claims (except for claims secured by residential properties)	1,639,694.85	896,702.41	-	742,992.44	150%	1,114,488.66
High Risk claims	2,723,780.10	40,263.74	389,410.14	2,294,106.22	150%	3,441,159.33
Investments in equity and other capital instruments of institutions listed in stock exchange	110,614.13	17,735.08	-	92,879.05	100%	92,879.05
Investments in equity and other capital instruments of institutions not listed in the stock exchange	77,870.30	-	-	77,870.30	150%	116,805.45
Staff loan secured by residential property	264,759.00	-	-	264,759.00	60%	158,855.40
Interest Receivable/claim on government securities	81,012.63	-	-	81,012.63	0%	-
Cash in transit and other cash items in the process of collection	-	-	-	-	20%	-
Other Assets (as per attachment)	1,962,747.40	1,249,131.05	-	713,616.35	100%	713,616.35
<b>TOTAL (A)</b>	<b>56,318,616.51</b>	<b>2,651,712.20</b>	<b>389,410.14</b>	<b>53,277,494.17</b>		<b>39,088,095.81</b>

*Amount '000s*

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	15,644.34	-	-	15,644.34	0%	-

Forward Exchange Contract Liabilities	2,957,208.96	-	-	2,957,208.96	10%	295,720.90
LC Commitments With Original Maturity Upto 6 months domestic counterparty	3,049,639.31	-	153,394.59	2,896,244.72	20%	579,248.94
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-
LC Commitments With Original Maturity Over 6 months domestic counterparty	1,115,069.09	-	20,619.70	1,094,449.39	50%	547,224.69
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	-	-	-	-	100%	-
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	1,838,736.76	-	165,764.72	1,672,972.04	50%	836,486.02
Foreign counterparty (ECA Rating 0-1)	-	-	-	-	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	-	50%	-
Foreign counterparty (ECA Rating 3-6)	355,209.02	-	-	355,209.02	100%	355,209.02
Foreign counterparty (ECA Rating 7)	-	-	-	-	150%	-
Underwriting commitments	-	-	-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-
Repurchase Agreements, Assets sale with recourse	-	-	-	-	100%	-
Advance Payment Guarantee	291,128.26	-	30,335.50	260,792.76	100%	260,792.76
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsements	665,395.09	-	43,835.50	621,559.59	100%	621,559.59
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (short term)	1,600,714.75	-	-	1,600,714.75	20%	320,142.95
Irrevocable Credit commitments (long term)	4,523.86	-	-	4,523.86	50%	2,261.93
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	-	-	-	-	20%	-
Other Contingent Liabilities	75,305.96	-	-	75,305.96	100%	75,305.96
Unpaid Guarantee Claims	-	-	-	-	200%	-
<b>TOTAL (B)</b>	<b>11,968,575.39</b>	<b>-</b>	<b>413,950.01</b>	<b>11,554,625.38</b>	<b>2.20</b>	<b>3,893,952.75</b>

## Risk Exposure Calculation for Operational Risk

Amount '000s

Particulars	Amount '000s		
	2072/073	2073/074	2074/075
Net Interest Income	994,860.64	1,122,837.95	1,321,294.53
Commission and Discount Income	67,976.41	87,072.07	96,102.76
Other Operating Income	87,196.87	114,854.75	170,480.34
Exchange Fluctuation Income	89,962.36	99,107.06	170,110.39
Addition/Deduction in Interest Suspense during the period	25,815.71	209,289.10	14,212.39
Gross income (a)	1,265,811.98	1,633,160.93	1,772,200.41
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	189,871.80	244,974.14	265,830.06
Capital Requirement for operational risk (d) (average of c)	233,558.67		
Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10		
<b>Equivalent Risk Weight Exposure [f=(d×e)]</b>	<b>2,335,586.67</b>		

## Risk Exposure Calculation for Market Risk

Amount '000s

	Currency	Open Position (FCY)	Exchange Rate	Relevant Open Position
1	INR	(61,234.37)	1.60	98,021
2	USD	(368.27)	118.20	43,530
3	GBP	31.83	154.92	4,930
4	EUR	(25.09)	136.44	3,424
5	THB	1.18	3.67	4
6	CHF	13.68	119.31	1,632
7	AUD	2.92	83.95	245
8	CAD	7.77	90.85	705
9	SGD	0.21	85.73	18
10	JPY	10,808.86	1.06	11,447
11	HKD	8.86	14.95	132
12	DKK	-	18.31	-
13	SEK	-	13.23	-
14	SAR	23.15	30.95	716
15	QAR	4.52	32.47	147
16	AED	5.95	31.99	190
17	MYR	5.57	28.46	158
18	KRW	112.00	0.10	12
19	CNY	5.03	17.09	86
20	KWD	0.05	389.94	18
21	BHD	-	313.76	-
(a)	<b>Total Open Position</b>			<b>165,416</b>
(b)	<b>Fixed Percentage</b>			<b>5%</b>
(c)	<b>Capital Charge for Market Risk (=a×b)</b>			<b>8,271</b>
(d)	<b>Risk Weight (reciprocal of capital requirement of 10%) in times</b>			<b>10</b>
(e)	<b>Equivalent Risk Weight Exposure (=c×d)</b>			<b>82,708</b>

## 3. Details of Non-Performing Loan

## (A) Amount of NPAs ( Both Gross and Net)

Amount '000s

Particulars	Amount in NPR
Gross NPA	1,320,283.52
Net NPA	413,879.55

**(B) Classification of Loans:**

Particulars	<i>Amount '000s</i>
	Amount in NPR
Restructure Loan	87,950
Substandard Loan	319,022
Doubtful Loan	195,314
Loss Loan	717,998
Watch List Loan	1,442,531
Pass Loan	40,349,668

**(C) NPA Ratios**

Particulars	<i>Amount '000s</i>
	Amount in NPR
Gross NPA	1,320,283.52
Total Loan and Advances	43,112,481.85
Gross NPA/Total Loan & Advances	3.06%
Net NPA	413,879.55
Net Loan and Advances	41,730,424.24
Net NPA/Net Loan & Advances	0.99%

**(D) Movement of Non – Performing Assets**

Particulars	<i>Amount '000s</i>		
	Last Quarter	This Quarter	% Change
Non-Performing Loans	1,078,261.34	1,320,283.52	22.44%

**(E) Write off of Loans and Interest Suspense**

Particulars	This Quarter
Loan Written Off	5,747.41
Interest Suspense Written off	4,799.82
<b>Total Write Off</b>	<b>10,547.22</b>

**(F) Movement in Loan Loss Provisions and Interest Suspense**

Particulars	<i>Amount '000s</i>		
	Last Quarter	This Quarter	% Change
Loan Loss Provisions	1,211,201.30	1,382,057.62	14.11%
Interest Suspense	444,890.39	536,018.66	20.48%

**(G) Details of Additional Loan Loss Provision**

Additional Loan Loss Provision provided during the quarter amounts to NRs **170,856,317**

**4. Segregation of Investments Portfolio into Held for Trading, Held to Maturity and Available for Sale Category**

Category	<i>Amount '000s</i>
	Amount in NPR
Held for Trading	-
Held to Maturity	5,790,517.96
Available for Sale	188,484.43
<b>Total Investments</b>	<b>5,979,002.39</b>

**5. Summary of Bank's internal approach to assess Capital Adequacy to support current and future activities:**

The Bank has planned the business volume so as to maintain the Capital Adequacy Ratio (CAR) well above minimum required.

The Bank regularly assesses the Capital Adequacy Ratio as per the Internal Capital Adequacy Assessment Process (ICAAP) approved by the BOD. The Risk Management Committee, formed as per directives of Nepal Rastra Bank, also assesses the maximum risk appetite of the Bank to maintain adequate CAR.

**6. Summary of the terms, conditions and main features of all capital instruments, especially in the case of Subordinated Term Debts including hybrid capital instruments**

There are no subordinated term debts and hybrid capital instruments as of Ashwin end 2075.

## **7. Risk Management Function:**

The Bank has constituted a Board level committee namely Risk Management Committee (RMC) in order to manage the overall risk arising during the process of day to day business activities. The committee has the responsibility of overseeing the level of risk of the Bank in respect of different areas like operations, credit, market, etc. The meeting of RMC is being held at least once a quarter as per the requirement. However, the frequency of the meeting has increased in line with the growth in businesses and risk arising thereby. Hence, for effective and efficient management of the risk, different units under Integrated Risk Management Department (IRMD) are functioning properly. The Department oversees the risk management at Macro Level, whereas the Bank's guidelines/policies pertaining to the respective business areas always help managing the risk at various stages of the work flow.

### **(A) The Bank has adopted the following strategy for managing its risk exposure:**

#### **I. Credit Risk:**

To manage the credit risk, the Bank has developed credit risk management framework, credit policy, valuation guidelines and specific product papers so that the risk would be filtered from the credit approving channels. Further, to oversee such risk Credit Risk Management Division (CRMD) is functioning under Integrated Risk Management Department. The division is responsible for identifying the underlying risk in credit areas. The CRMD reviews the files having group limit of more than NPR 50 million and below NPR 100 million on sample/post facto approval basis. Whereas, all files having exposure equivalent to or above NPR 100.00 million are reviewed wholly. Further, in line with the regulatory requirement as well as to have sound credit portfolio of the Bank and to use the capital optimally from credit perspective, the department shall analyze the portfolios in quarterly basis in the following manner:

##### **1. Concentration Risk Review:**

- i. Group/Client Exposure (i.e. Single Obligor's Limit) to Total Loan Exposure Analysis.
  - ii. Sector-wise Exposure to Total Loan Exposure Analysis.
  - iii. Business Segment-wise (i.e. Corporate, SME, Consumer and Micro) Exposure to Total Loan Exposure Analysis.
  - iv. Product-wise (i.e. Home Loan, Education Loan, Mortgage Loan, etc.) Exposure to Total Exposure Analysis.
  - v. Tenure-wise (i.e. having tenure up to 1 year, above 1 year up to 5 years and above 5 years) Exposure to Total Exposure Analysis.
2. Industrial Risk Profile Review of particular Client/Group, product and business segment.
  3. Quality Check in terms of performance under each product, sector and business segment.
  4. To check if the portfolios are within the benchmarks set by the Bank in terms of Credit Risk and by the regulatory body wherever applicable.
  5. To review/analyze the overall risk assets portfolio vis a vis prudential banking norms and practices.

In addition to above, there is a separate Credit Control Department for controlling day to day business activities related to credit. The department ensures the credit worthiness from various facets (i.e. in terms of repaying capacity, project viability, collateral offered to the Bank & so forth).

#### **II. Market Risk:**

Market risk refers to the risk to a Bank resulting from movements in market prices, for example changes in interest rates, foreign exchange rates, and equity and commodity prices. Hence, to manage such type of risks arising during the day to day business activities the Integrated Market Risk Management Framework has been formulated by the Bank which, basically, looks into the following market risk areas.

##### **a) Foreign Exchange Risk:**

In order to manage the foreign exchange risk and protect the bank's financial position, the Bank has developed Foreign Exchange Risk management Policy. Treasury front office is the sole custodian of consolidated net open position of all the foreign currencies on which the Bank is allowed to deal in. Quoting of all spot/forward rates are done only by the treasury dealers. In order to manage the exchange risk, all the branches/units dealing in foreign currency have to obtain quote from Treasury before they enter into buy/sell deals. This helps front office to monitor the net open position on real time basis which allows the dealer to take proper timely action on managing the open position risks.

##### **b) Equity Price Risk:**

It is risk to earning or capital that results from the adverse changes in the value of equity related portfolios of the Bank. Treasury Front Office monitors the fluctuation in market price of the stocks on daily basis. The investment/divestment decisions are taken based on the guidelines set in the investment policy of the Bank.

##### **c) Commodity Risk:**

As authorized by Nepal Rastra Bank, the Bank is dealing in Gold only as per the procedures prescribed by the NRB and the Bank's internal manual. As the Bank trade the gold on consignment basis, where the commodity is priced only after the trade is confirmed by both the counter party, the Bank is not exposed to price risk at any point of time.

##### **d) Interest Rate Risk:**

Interest rate risk is the risk of negative effects on the financial result and capital of the Bank caused by changes in interest rate. In order to manage the related risk, the treasury front office uses various tools and there is also Asset Liability Management Committee comprising of senior officials and executives of the Bank which review the Interest Rate Risk on regular basis among other functions.



Currently, the control reports related to market risk is reviewed by Head IRMD. For the Market Risk Management of the Bank, an independent Middle Office is in the process of establishment under IRMD so as to measure, monitor and analyze risk inherent in market risk/treasury operations of the Bank.

### **III. Operational Risk:**

Operational Risk is the potential for loss resulting from inadequate or failed internal processes, people and systems or from the impact of external events, including legal risks. The Bank has developed Operational Risk Management Policy for managing overall operational risk and evaluating the adequacy of capital in respect of the same. The Operational Risk Management Division under IRMD oversees identification, assessment, monitoring and controlling/mitigating the operational risk. Further, for carrying out day to day operations and filter the undesirable risk from operations units there are different manuals developed as per the respective functions. In addition to this, there is also a separate Compliance Department and In-house Internal Audit Department of the Bank for overseeing the level of related risk.