

## Civil Bank Limited

Disclosure under BASEL II for the Third Quarter ended as at Chaitra End, 2067 of Fiscal Year 2067/68

### (A) Tier 1 Capital and Its Breakdown:

Particulars		Amount in NPR
<b>Core Capital (Tier 1)</b>		<b>1,198,100,512</b>
a	Paid up Equity Share Capital	1,200,000,000
b	Irredeemable Non-cumulative preference shares	-
c	Share Premium	-
d	Proposed Bonus Equity Shares	-
e	Statutory General Reserves	-
f	Retained Earnings	-
g	Un-audited current year cumulative profit	5,673,292
h	Capital Redemption Reserve	-
i	Capital Adjustment Reserve	-
j	Dividend Equalization Reserves	-
k	Other Free Reserve	-
l	Less: Goodwill	-
m	Less: Miscellaneous Expenditure not written off	(7,572,780)
n	Less: Investment in equity in licensed Financial Institutions	-
o	Less: Investment in equity of institutions with financial interests	-
p	Less: Investment in equity of institutions in excess of limits	-
q	Less: Investments arising out of underwriting commitments	-
r	Less: Reciprocal crossholdings	-
s	Less: Other Deductions	-
	<b>Adjustments under Pillar II</b>	-
	Less: Shortfall in Provision (6.4 a 1)	-
	Less: Loans and Facilities extended to Related Parties and Restricted lending (6.4 a 2)	-

**(B) Tier 2 Capital and Its Breakdown:**

<b>Particulars</b>		<b>Amount in NPR</b>
<b>Supplementary Capital (Tier 2)</b>		<b>22,945,902</b>
a	Cumulative and/or Redeemable Preference Share	-
b	Subordinated Term Debt	-
c	Hybrid Capital Instruments	-
d	General loan loss provision	22,945,902
e	Exchange Equalization Reserve	-
f	Investment Adjustment Reserve	-
g	Assets Revaluation Reserve	-
h	Other Reserves	-

**(C) Detail of Subordinated Term Debts:**

There is no Subordinated Term Debts as of Second Quarter Ended Chaitra End, 2067.

**(D) Deductions from Capital:** Miscellaneous expenditure to the extent not written off NPR 7,572,780.00

**(E) Total Qualifying Capital:**

<b>Particulars</b>	<b>Amount in NPR</b>
<b>Total Qualifying Capital</b>	<b>1,221,046,414</b>
Core Capital (Tier 1)	1,198,100,512
Supplementary Capital (Tier 2)	22,945,902

**(F) Capital Adequacy Ratio:**

<b>Particulars</b>	<b>Percentage of Total RWE</b>
Capital Adequacy Ratio – Core Capital	28.09%
Capital Adequacy Ratio – Capital Fund	28.63%

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

Particulars		Amount in NPR
<b>RISK WEIGHTED EXPOSURES</b>		<b>4,264,547,230</b>
a	Risk Weighted Exposure for Credit Risk	2,875,645,995
b	Risk Weighted Exposure for Operational Risk	1,326,049,590
c	Risk Weighted Exposure for Market Risk	62,851,645
<i>Adjustments under Pillar II</i>		
	Add : 3% of the Total RWE due to non-compliance to Disclosure (6.4 a 10)	-
	Add : ....% of the total deposits due to insufficient Liquid Assets (6.4 a 6)	-
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)</b>		<b>4,264,547,230</b>

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

Category of Credit Risk	Risk Exposure in NPR
Claims on Government and Central Bank	-
Claims on other Official Entities	-
Claims on Banks	47,271,693
Claims on Corporate and Securities Firms	2,079,501,372
Claims on Regulatory Retail Portfolio	18,286,044
Claims secured by Residential Properties	22,325,870
Claims secured by Commercial Real Estate	-
Past Due Claims	-
High Risk Claims	239,304,272
Other Assets	205,166,211
Off Balance Sheet Items	263,790,533
<b>Total Credit Risk Exposure</b>	<b>2,875,645,995</b>

**(I) Total Risk Weighted Exposure Calculation Table:****Risk Exposure Calculation for Credit Risk**

<b>A. Balance Sheet Exposures</b>	<b>Gross Book Value (a)</b>	<b>Specific Provision (b)</b>	<b>Eligible CRM (c)</b>	<b>Net Value (d=a-b-c)</b>	<b>Risk Weight (e)</b>	<b>Risk Weighted Exposures (f=d*e)</b>
Cash Balance	11,174,355	-	-	11,174,355	0%	-
Balance With Nepal Rastra Bank	247,458,036	-	-	247,458,036	0%	-
Investment in Nepalese Government Securities	-	-	-	-	0%	-
All Claims on Government of Nepal	-	-	-	-	0%	-
Investment in Nepal Rastra Bank securities	227,508,960	-	-	227,508,960	0%	-
All claims on Nepal Rastra Bank	-	-	-	-	0%	-
Claims on Foreign Government and Central Bnak (ECA 0-1)	-	-	-	-	0%	-
Claims on Foreign Government and Central Bnak (ECA -2)	-	-	-	-	20%	-
Claims on Foreign Government and Central Bnak(ECA -3)	-	-	-	-	50%	-
Claims on Foreign Government and Central Bnak(ECA-4-6)	-	-	-	-	100%	-
Claims on Foreign Government and Central Bnak(ECA -7)	-	-	-	-	150%	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (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)	-	-	-	-	100%	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	150%	-
Claims on domestic banks that meet capital adequacy requirements	132,507,891	-	-	132,507,891	20%	26,501,578
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	99,782,211	-	-	99,782,211	20%	19,956,442
Claims on foreign bank (ECA Rating 2)	-	-	-	-	50%	-
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	4,068,365	-	-	4,068,365	20%	813,673
Claims on Domestic Corporates	2,079,501,372			2,079,501,372	100%	2,079,501,372
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)	-			-	75%	-
Claims fulfilling all criterion of regulatory retail except granularity	18,286,044	-		18,286,044	100%	18,286,044
Claims secured by residential properties	37,209,783	-	-	37,209,783	60%	22,325,870
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	-	-	-	-	100%	-
Claims secured by Commercial real estate	-	-	-	-	100%	-
Past due claims (except for claim secured by residential properties)	-		-	-	150%	-
High Risk claims (Venture capital, private equity investments, personal loans and credit card receivables)	159,536,181	-		159,536,181	150%	239,304,272
Investments in equity and other capital instruments of institutions listed in the stock exchange	-	-	-	-	100%	-
Investments in equity and other capital instruments of institutions not listed in the stock exchange	-	-	-	-	150%	-
Other Assets (as per attachment)	205,166,211		-	205,166,211	100%	205,166,211
<b>TOTAL</b>	<b>3,222,199,409</b>	-	-	<b>3,222,199,409</b>		<b>2,611,855,462</b>

<b>B. Off Balance Sheet Exposures</b>	<b>Gross Book Value (a)</b>	<b>Specific Provision (b)</b>	<b>Eligible CRM (c)</b>	<b>Net Value (d=a-b-c)</b>	<b>Risk Weight (e)</b>	<b>Risk Weighted Exposures (f=d*e)</b>
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	-	-	-	-	0%	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-
LC Commitments With Original Maturity Up to 6 months (domestic counterparty)	493,912,514	-	39,433,757	454,478,757	20%	90,895,751
foreign counterparty ECA Rating 0-1	-	-	-	-	20%	-
foreign counterparty ECA Rating 2	-	-	-	-	50%	-
foreign counterparty ECA Rating 3-6	-	-	-	-	100%	-
foreign counterparty ECA Rating 7	-	-	-	-	150%	-
LC Commitments With Original Maturity Over 6 months (domestic counterparty)	-	-	-	-	50%	-
foreign counterparty ECA Rating 0-1	-	-	-	-	20%	-
foreign counterparty ECA Rating 2	-	-	-	-	50%	-
foreign counterparty ECA Rating 3-6	-	-	-	-	100%	-
foreign counterparty ECA Rating 7	-	-	-	-	150%	-
Bid Bond, Performance Bond and Counter guarantee (domestic counter party)	108,881,101	-	8,497,525	100,383,576	50%	50,191,788

foreign counterparty ECA Rating 0-1	-	-	-	-	20%	-
foreign counterparty ECA Rating 2	-	-	-	-	50%	-
foreign counterparty ECA Rating 3-6	-	-	-	-	100%	-
foreign counterparty ECA Rating 7	-	-	-	-	150%	-
Underwriting commitments	-	-	-	-	50%	-
Lending of Bank's Securities or Posting of Securities as collateral	-	-	-	-	100%	-
Repurchase Agreements, Assets sale with recourse (including repo/ reverse repo)	-	-	-	-	100%	-
Advance Payment Guarantee	-	-	-	-	100%	-
Financial Guarantee	-	-	-	-	100%	-
Acceptances and Endorsements	129,973,191	-	7,270,197	122,702,994	100%	122,702,994
Unpaid portion of Partly paid shares and Securities	-	-	-	-	100%	-
Irrevocable Credit commitments (Short term)	-	-	-	-	20%	-
Irrevocable Credit commitments (long term)	-	-	-	-	50%	-
Other Contingent Liabilities	-	-	-	-	100%	-
Unpaid Guarantee Claims	-	-	-	-	-	-
<b>TOTAL</b>	<b>732,766,806</b>	<b>-</b>	<b>55,201,479</b>	<b>677,565,327</b>		<b>263,790,533</b>
<b>Total RWE for credit Risk (A) +(B)</b>	<b>3,954,966,215</b>	<b>-</b>	<b>55,201,479</b>	<b>3,899,764,736</b>		<b>2,875,645,995</b>



<b>Adjustments under Pillar II</b>					
Add: 10% of the loan and facilities in excess of Single Obligor Limits(6.4 a 3)	-	-	-	-	-
Add: 1% of the contract(sale) value in case of the sale of credit with recourse (6.4 a 4)	-	-	-	-	-
<b>Total RWE for credit Risk (After Bank's adjustments of Pillar II)</b>	<b>3,954,966,215</b>	<b>-</b>	<b>55,201,479</b>	<b>3,899,764,736</b>	<b>2,875,645,995</b>

#### Risk Exposure Calculation for Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income			
Commission and Discount Income			
Other Operating Income			
Exchange Fluctuation Income			
Additional/Deduction in Interest Suspense during the period			
<b>Gross income (a)</b>			
<b>Alfa (b)</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>
<b>Fixed Percentage of Gross Income [c=(a×b)]</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital Requirement for operational risk (d) (average of c)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Risk Weight (reciprocal of capital requirement of 10%) in times (e)</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Equivalent Risk Weight Exposure [f=(d×e)]</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PILLAR-II ADJUSTMENTS</b>			
<b>If Gross Income for all the last three years is negative(6.4 a 8)</b>			
Total Credit and Investment (net of Specific Provision)			2,652,099,181
Capital Requirement for operational risk (5%)			132,604,959
Risk Weight (reciprocal of capital requirement of 10%) in times			10
Equivalent Risk Weight Exposure [g]			1,326,049,590
<b>Equivalent Risk Weight Exposure [h=f+g]</b>			<b>1,326,049,590</b>

**Note:** As the Bank has not completed One year of Operation, hence the capital charge for Operational Risk has been computed according to the approach as prescribed by the BASEL II Capital Adequacy Framework for Banks with Negative Gross Income.

**Risk Exposure Calculation for Market Risk**

*Amount in Rs.*

<b>currency</b>	<b>Open Position (FCY)</b>	<b>Rate</b>	<b>Open Position (LCY)</b>	<b>Relevant Open Position</b>
Denish Croner	-	-	-	-
Malaysian Ringgit	-	-	-	-
Arab Emirates Dhiram	-	-	-	-
Hongkong Dollar	-	-	-	-
Indian Rupees	2,476,399.37	1.60075	3,964,096	3,964,096
Saudi Arab Rial	-	-	-	-
Quatar Rial	500.00	18.7533	9,377	9,377
Thai bhat	38,000.00	2.2110	84,018	84,018
Canadian Dollar	100.00	73.66965	7,367	7,367
Swiss Frank	2,771.02	79.01805	218,961	218,961
Swedish Kroner	450.00	11.12535	5,006	5,006
Singapore Dollar	-	-	-	-
Chinese Yuan	-	-	-	-
Australian Dollar	11,215.00	74.07565	830,758	830,758

Pound Sterling	12,855.54	115.1486	1,480,297	1,480,297
Japanese Yen	5,039,000	0.83910	4,228,225	4,228,225
EURO	35,570.47	102.6373	3,650,855	3,650,855
US Dollar	(1,565,437.40)	71.05	(111,224,327)	111,224,327
<b>Total Open position (a)</b>				<b>125,703,288</b>
<b>Fixed Percentage (b)</b>				<b>5.00%</b>
<b>Capital Charge for Market Risk [c=(axb)]</b>				<b>6,285,164</b>
<b>Risk weight (reciprocal of capital requirement of 10%) in times (d)</b>				<b>10.00</b>
<b>Equivalent Risk Weight Exposure[e=(cxd)]</b>				<b>62,851,645</b>

**(J) Amount of NPAs ( Both Gross and Net)**

The Bank doesn't have any NPAs (Both Gross and Net) as of Quarter Ended Chaitra End, 2067.

**(K) NPA Ratios**

Not Applicable.

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

Not Applicable.

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

There are no Write off of Loans and Interest Suspense.

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

<b>Particulars</b>	<b>Quarter Ended Poush End 2067</b>	<b>Quarter Ended Chaitra End 2067</b>	<b>% Change</b>
Loan Loss Provisions	9,182,471	28,945,902	215.23%
Interest Suspense	314,575	723,968.22	130.14%

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

There is no Additional Loan Loss Provision.

**(P) Segregation of Investments Portfolio into Held for Trading, Held to Maturity and Available for Sale Category**

Category	Amount in NPR
Held for Trading	-
Held to Maturity	227,508,960
Available for Sale	-
<b>Total Investments</b>	<b>227,508,960</b>

**(Q) Summary of Bank's Internal approach to assess Capital Adequacy to support current and future activities:**

The overall strategy of the Bank has been formulated with special consideration to the capital adequacy requirement as governed by BASEL II. The present Paid Up Capital of the Bank is NPR 1,200.00 Million and after the Initial Public Offering of equity shares of NPR 800.00 Million, the Paid Up Capital shall become NPR 2,000.00 Million, which shall further enhance the capacity of the Bank to undertake risk. The Bank has adopted the following strategy for managing, minimizing and mitigating its risk exposure under the following three categories:

**Credit Risk:**

Bank's Management is responsible for understanding the nature and level of risk taken by the Bank and relating the same with the Capital Adequacy level. The Country Risk Department which monitors the Credit Risk through review of the Credit proposals, analyzes the trends, assesses the exposure impact on capital, credit concentration risk, single obligor exposure risk, other credit related risks and prepares reports of such pertinent credit related risk reports for further submission to the Management.

**Operational Risk:**

From its inception, Civil Bank Limited has implemented sound practices and policies for assessment, minimization and mitigation of the Operational Risks in its day to day operation. In its short span of operation, the Bank has successfully achieved a very sound level of Operational Risk Management and Control in its banking activities.

Since the beginning and over a short period of its operation, the Bank has adopted following strategies in its endeavor to create effective system of operational management and its impact on Capital Adequacy of the Bank:

- a) Zero tolerance compliance policy of the Bank to the suggestions and shortcomings as observed by officials from Nepal Rastra Bank and Auditors through audit and inspection.

- b) Up to date Operation Manuals and implementation of the same in Bank of Credit, BASEL II Disclosure, Business Desk, Cash Operation, SWIFT, Letter of Credit, Clearing, Manager's Cheque, Reconciliation, Safe Deposit Locker, Trade Finance operation.
- c) In house periodic Internal Audit by a qualified Chartered Accountant as Internal Auditor.
- d) Centralized Approval and Control Mechanism of Information Technology, Human Resource Management, General Services, Procurement, SWIFT, Trade Finance, Finance and Treasury Operations, Reporting, Credit Control and risk management, Credit Administration, Remittance.
- e) Regular training and orientation of staffs of the Bank on various operational processes and procedures.
- f) Periodic visit and assessment of operational activity of various departments by members from Executive Management of the Bank.
- g) Implementation of the widely accepted Core Banking Solution Software Temenos 24 in its operation.

**Market Risk:**

In order to effectively manage the market risk the bank has set up the three tiered treasury department structure viz:

- a) Treasury Front Office
- b) Mid office
- c) Back office.

Treasury front office is entrusted with the functions of market watch, research (both fundamental and technical) and analysis. Front office takes decisions as regards to investments and trading as per approved policy/guidelines and within the perimeters of NRB regulations

Whereas Treasury Mid office (which is independent from Front Office) monitors the counter party credit risks and also enforces the approved trading and day light/overnight open position limits as per the approved policies.

Treasury back office is entrusted with the function of settlement and delivery of all the deals which are executed by front office dealers as per the approved policies/regulations.

**Mechanism to manage Foreign Exchange Risk:**

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. All the branches/units dealing in foreign currency have to obtain quote from Treasury before they enter into buy/sell deals and after the deal they have to report their transactions as soon as possible to Treasury. This helps front office to monitor the net open position on real time basis and allowing the dealer to take proper timely action on managing the open position risks.

**Mechanism to manage Liquidity and Interest rate risks:**

In order to monitor the liquidity and interest rate risks the bank is following the GAP analysis procedures.

With regard to Market Risk, the Treasury Department maintains Net Open Position of all the currencies on daily basis, reviews and analyzes the trends, and assesses the exposure impact on capital. The Net Open Position is also discussed in ALCO (Assets Liability Committee) meeting held every week.