

Civil Bank Limited

Disclosure under BASEL II for the Second Quarter ended as of Poush End, 2067 of Fiscal Year 2067/68

(A) Tier 1 Capital and Its Breakdown:

Particulars	Amount in NPR
Core Capital (Tier 1)	1,203,433,592
Paid up Equity Share Capital	1,200,000,000
Irredeemable Non-cumulative preference shares	-
Share Premium	-
Proposed Bonus Equity Shares	-
Statutory General Reserves	-
Retained Earnings	-
Un-audited current year cumulative profit	9,106,193
Capital Redemption Reserve	-
Capital Adjustment Reserve	-
Dividend Equalization Reserves	-
Other Free Reserve	-
Less: Goodwill	-
Less: Miscellaneous Expenditure not written off	(5,672,601)
Less: Investment in equity in licensed Financial Institutions	-
Less: Investment in equity of institutions with financial interests	-
Less: Investment in equity of institutions in excess of limits	-
Less: Investments arising out of underwriting commitments	-
Less: Reciprocal crossholdings	-
Less: Other Deductions	-
Adjustments under Pillar II	-
Less: Shortfall in Provision (6.4 a 1)	-
Less: Loans and Facilities extended to Related Parties and Restricted lending (6.4 a 2)	-

(B) Tier 2 Capital and its Breakdown:

Particulars	Amount in NPR
Supplementary Capital (Tier 2)	9,182,471
Cumulative and/or Redeemable Preference Share	-
Subordinated Term Debt	-
Hybrid Capital Instruments	-
General loan loss provision	9,182,471
Exchange Equalization Reserve	-
Investment Adjustment Reserve	-
Assets Revaluation Reserve	-
Other Reserves	-

(C) Detail of Subordinated Term Debts:

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

(D) Deductions from Capital: Pre – operating expense of Rs. 5,672,601.00

(E) Total Qualifying Capital:

Particulars	Amount in NPR
Total Qualifying Capital	1,212,616,063
Core Capital (Tier 1)	1,203,433,592
Supplementary Capital (Tier 2)	9,182,471

(F) Capital Adequacy Ratio:

Particulars	Percentage of Total RWE
Capital Adequacy Ratio – Core Capital	59.22%
Capital Adequacy Ratio – Capital Fund	59.67%

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

RISK WEIGHTED EXPOSURES (RWE)	Amount in NPR
Risk Weighted Exposure for Credit Risk	1,218,092,177
Risk Weighted Exposure for Operational Risk	788,837,566
Risk Weighted Exposure for Market Risk	25,184,070
<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)	-
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	2,032,113,813

(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	59,239,525
Claims on Corporate and Securities Firms	894,804,027
Claims on Regulatory Retail Portfolio	1,935,000
Claims secured by Residential Properties	11,100,000
Claims secured by Commercial Real Estate	-
Past Due Claims	-
High Risk Claims	4,512,144
Other Assets	168,228,247
Off Balance Sheet Items	78,273,234
Total Credit Risk Exposure	1,218,092,177

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

A. Balance Sheet Exposures	Gross Book Value (a)	Specific Provision (b)	Eligible CRM (c)	Net Value (d=a-b-c)	Risk Weight (e)	Risk Weighted Exposures (f=d*e)
Cash Balance	16,524,841	-	-	16,524,841	0%	-
Balance With Nepal Rastra Bank	7,181,334	-	-	7,181,334	0%	-
Investment in Nepalese Government Securities	-	-	-	-	0%	-
All Claims on Government of Nepal	-	-	-	-	0%	-
Investment in Nepal Rastra Bank securities	374,428,010	-	-	374,428,010	0%	-
All claims on Nepal Rastra Bank	-	-	-	-	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 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	285,965,911	-	-	285,965,911	20%	57,193,182
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	10,231,715	-	-	10,231,715	20%	2,046,343
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	-	-	-	-	20%	-
Claims on Domestic Corporates	894,804,027	-	-	894,804,027	100%	894,804,027
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	1,935,000	-	-	1,935,000	100%	1,935,000
Claims secured by residential properties	18,500,000	-	-	18,500,000	60%	11,100,000
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	3,008,096	-	-	3,008,096	150%	4,512,144

credit card receivables)						
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)	168,228,247	-	-	168,228,247	100%	168,228,247
TOTAL	1,780,807,181	-	-	1,780,807,181	-	1,139,818,943

B. Off Balance Sheet Exposures	Gross Book Value (a)	Specific Provision (b)	Eligible CRM (c)	Net Value (d=a-b-c)	Risk Weight (e)	Risk Weighted Exposures (f=d*e)
Revocable Commitments	-	-	-	-	0%	-
Bills Under Collection	-	-	-	-	0%	-
Forward Exchange Contract Liabilities	-	-	-	-	10%	-
LC Commitments With Original Maturity Up to 6 months (domestic counterparty)	320,029,556	-	19,391,272	300,638,284	20%	60,127,657
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)	3,180,000	-	318,000	2,862,000	50%	1,431,000
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	17,923,877	-	1,209,300	16,714,577	100%	16,714,577
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%	-
TOTAL	341,133,433	-	20,918,572	320,214,861	-	78,273,234
Total RWE for credit Risk (A) +(B)	2,121,940,614	-	20,918,572	2,101,022,042	-	1,218,092,177
Adjustments under Pillar II						
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)	-	-	-	-		-
Total RWE for credit Risk (After Bank's adjustments of Pillar II)	2,121,940,614	-	20,918,572	2,101,022,042		1,218,092,177

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	-	-	-
Gross income (a)	-	-	-
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	-	-	-
Capital Requirement for operational risk (d) (average of c)	-	-	-
Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10	10	10
Equivalent Risk Weight Exposure [f=(d×e)]	-	-	-
PILLAR-II ADJUSTMENTS			
If Gross Income for all the last three years is negative(6.4 a 8)			
Total Credit and Investment (net of Specific Provision)			1,577,675,133
Capital Requirement for operational risk (5%)			78,883,756
Risk Weight (reciprocal of capital requirement of 10%) in times			10
Equivalent Risk Weight Exposure [g]			788,837,566
Equivalent Risk Weight Exposure [h=f+g]			788,837,566

Note: Since the Bank has not completed One year of Operation, 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

Currency	Open Position (FCY)	Rate	Open Position (LCY)	Relevant Open Position
Danish Croner	-	-	-	-
Malaysian Ringgit	-	-	-	-
Arab Emirates Dirham	-	-	-	-
Hong Kong Dollar	-	-	-	-
Indian Rupees	2,941,480	1.60	4,708,574	4,708,574
Saudi Arab Rial	-	-	-	-
Qatar Rial	500	19.11	9,553	9,553
Thai Bhat	-	-	-	-
Canadian Dollar	100	72.88	7,288	7,288
Swish Frank	-	-	-	-
Singapore Dollar	-	-	-	-
Chinese Yuan	-	-	-	-
Australian Dollar	-	-	-	-
Pound Sterling	3,500	114.06	399,212	399,212
Japanese Yen	10,000	0.87	8,677	8,677
EURO	-	-	-	-
US Dollar	(627,390)	72.10	(45,234,834)	45,234,834
Total Open position (a)				50,368,138
Fixed Percentage (b)				5.00%
Capital Charge for Market Risk [c=(axb)]				2,518,407
Risk weight (reciprocal of capital requirement of 10%) in times (d)				10.00
Equivalent Risk Weight Exposure[e=(cxd)]				25,184,070

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

The Bank doesn't have any NPAs (Both Gross and Net) as of Quarter Ending Poush 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

Particulars	Quarter Ending Ashwin End 2067	Quarter Ending Poush End 2067	% Change
Loan Loss Provisions	-	9,182,471	100%
Interest Suspense	-	314,575	100%

(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	374,428,010
Available for Sale	-
Total Investments	374,428,010

(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 1.2 Billion and after the Initial Public Offering of equity shares of NPR 800.00 Million, the Paid Up Capital shall become NPR 2 Billion, 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, trend analysis, assessment of the exposure impact on capital, credit concentration risk, single obligor exposure risk, and 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 the following strategies in its endeavor to create an 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 – T24 (from Temenos) in its operation.

Market Risk:

In order to effectively manage the market risk the Bank has set up the three tiered treasury department structure vis-a-vis:

1. Treasury Front Office
2. Mid office
3. Back office.

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

Whereas Treasury Mid office (which is independent on the Front Office) monitors the counter party credit risks and also enforces the approved trading and daylight/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 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 deals they have to report their transactions as soon as possible to Treasury. This helps the front office to monitor the net open position on real time basis 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 a 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.