

Civil Bank Limited

Disclosure under BASEL II for the Third Quarter ended as at Chaitra End of FY 2068/69

(A) Tier 1 Capital and Its Breakdown:

Core Capital (Tier 1)	Amount in NPR
Paid up Equity Share Capital	1,200,000,000
Statutory General Reserves	232,860
Retained Earnings	824,341
Un-audited current year cumulative profit	6,741,581
Other Free Reserves	3,436,089
Total Core Capital	1,211,234,871

(B) Tier 2 Capital and Its Breakdown:

Supplementary Capital (Tier 2)	Amount in NPR
General loan loss provision	64,652,328
Exchange Equalization Reserve	107,100
Total Supplementary Capital	64,759,428

(C) Detail of Subordinated Term Debts:

There is no Subordinated Term Debts as of Chaitra End 2068/69

(D) Deductions from Capital: N/A

(E) Total Qualifying Capital:

Particulars	Amount in NPR
Core Capital (Tier 1)	1,211,234,871
Supplementary Capital (Tier 2)	64,759,428
Total Qualifying Capital	1,275,994,297

(F) Capital Adequacy Ratio:

Particulars	Percentage of Total RWE
Capital Adequacy Ratio – Core Capital	15.73%
Capital Adequacy Ratio – Capital Fund	16.58%

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

1.1 RISK WEIGHTED EXPOSURES	Current Month
a Risk Weighted Exposure for Credit Risk	7,497,920,230
b Risk Weighted Exposure for Operational Risk	187,520,828
c Risk Weighted Exposure for Market Risk	12,312,108
<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)	7,697,753,165

(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	106,341,526
Claims on Corporate and Securities Firms	5,324,529,096
Claims on Regulatory Retail Portfolio	64,899,176
Claims secured by Residential Properties	133,733,358
Claims secured by Commercial Real Estate	446,289,861
Past Due Claims	-
High Risk Claims	372,593,016
Other Assets	277,738,760
Off Balance Sheet Items	771,795,436
Total Credit Risk Exposure	7,497,920,230



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

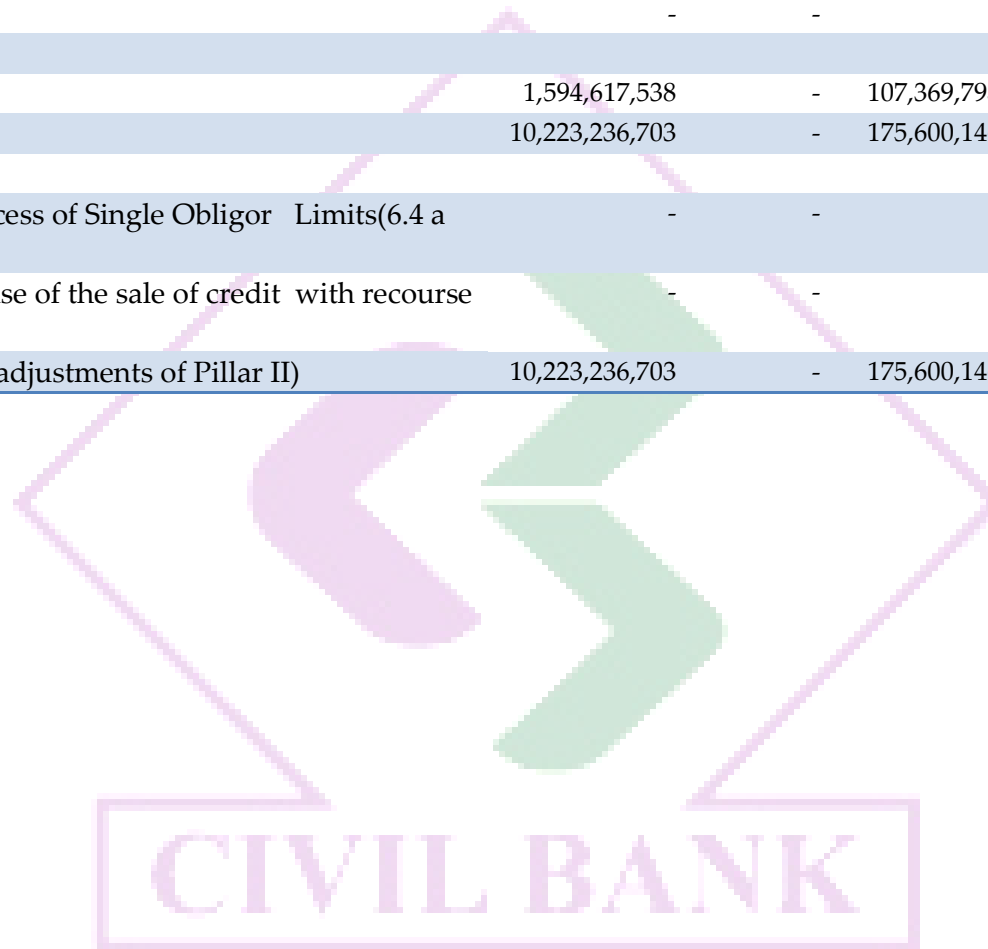
A. Balance Sheet Exposures	Gross Book Value (a)	Specific Provision (b)	Eligible CRM (c)	Net Value (d=a-b-c)	Risk Weight (e)	Risk Weighted Exposures (f=d*e)
Cash Balance	221,558,865	-	-	221,558,865	0%	-
Balance With Nepal Rastra Bank	711,023,125	-	-	711,023,125	0%	-
Investment in Nepalese Government Securities	500,002,933	-	-	500,002,933	0%	-
All Claims on Government of Nepal	11,355,089	-	-	11,355,089	0%	-
Investment in Nepal Rastra Bank securities	-	-	-	-	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)	-	-	-	-	-	-
Claims on Foreign Government and Central Bank (ECA -7)	-	-	-	-	-	-
Claims On BIS, IMF, ECB, EC and on Multilateral Development Banks (MDB's) recognized by the framework	-	-	-	-	0%	-
Claims on Other Multilateral Development Banks	-	-	-	-	-	-
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)	-	-	-	-	-	-
Claims on Public Sector Entity (ECA 7)	-	-	-	-	-	-
Claims on domestic banks that meet capital adequacy requirements	270,969,433	-	-	270,969,433	20%	54,193,887
Claims on domestic banks that do not meet capital adequacy requirements	-	-	-	-	100%	-
Claims on foreign bank (ECA Rating 0-1)	260,738,199	-	-	260,738,199	20%	52,147,640
Claims on foreign bank (ECA Rating 2)	-	-	-	-	50%	-
Claims on foreign bank (ECA Rating 3-6)	-	-	-	-	-	-
Claims on foreign bank (ECA Rating 7)	-	-	-	-	-	-
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	5,342,401,498	-	17,872,402.03	5,324,529,096	-	5,324,529,096

Claims on Foreign Corporates (ECA 0-1)	-	-	-	-	20%	-
Claims on Foreign Corporates (ECA 2)	-	-	-	-	50%	-
Claims on Foreign Corporates (ECA 3-6)	-	-	-	-	-	-
Claims on Foreign Corporates (ECA 7)	-	-	-	-	-	-
Regulatory Retail Portfolio (Not Overdue)	-	-	-	-	75%	-
Claims fulfilling all criterion of regulatory retail except granularity	64,899,176	-	-	64,899,176	-	64,899,176
Claims secured by residential properties	222,888,931	-	-	222,888,931	60%	133,733,358
Claims not fully secured by residential properties	-	-	-	-	150%	-
Claims secured by residential properties (Overdue)	-	-	-	-	-	-
Claims secured by Commercial real estate	446,289,861	-	-	446,289,861	-	446,289,861
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)	298,753,295	-	50,357,950.70	248,395,344	150%	372,593,016
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)	277,738,760	-	-	277,738,760	-	277,738,760
TOTAL	8,628,619,165	-	68,230,352.73	8,560,388,812		6,726,124,794

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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)	560,030,929	-	46,846,373	513,184,556	20%	102,636,911
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) "	386,500,770	-	27,432,169	359,068,601	50%	179,534,300
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	125,038,926	-	3,977,017	121,061,909	100%	121,061,909
Financial Guarantee	-	-	-	-	100%	-

Acceptances and Endorsements	366,333,959	29,114,234	337,219,725	100%	337,219,725
Unpaid portion of Partly paid shares and Securities			-	100%	-
Irrevocable Credit commitments (Short term)	156,712,953		156,712,953	20%	31,342,591
Irrevocable Credit commitments (long term)			-	50%	-
Other Contingent Liabilities	-	-	-	100%	-
Unpaid Guarantee Claims			-		-
TOTAL	1,594,617,538	-	107,369,793		1,487,247,744
Total RWE for credit Risk (A) +(B)	10,223,236,703	-	175,600,146	10,047,636,557	7,497,920,230
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)	10,223,236,703	-	175,600,146	10,047,636,557	7,497,920,230



Risk Exposure Calculation for Operational Risk

Particulars	Year 1	Year 2	Year 3
Net Interest Income	98,742,717		
Commission and Discount Income	8,797,770		
Other Operating Income	12,803,704		
Exchange Fluctuation Income	4,091,800		
Additional/Deduction in Interest Suspense during the period	577,894		
Gross income (a)	125,013,885		
Alfa (b)	15%	15%	15%
Fixed Percentage of Gross Income [c=(a×b)]	18,752,083	-	-
Capital Requirement for operational risk (d) (average of c)			18,752,083
Risk Weight (reciprocal of capital requirement of 10%) in times (e)	10	10	10
Equivalent Risk Weight Exposure [f=(d×e)]			187,520,828
<i>PILLAR-II ADJUSTMENTS</i>			
If Gross Income for all the last three years is negative(6.4 a 8)			
Total Credit and Investment (net of Specific Provision)			
Capital Requirement for operational risk (5%)			
Risk Weight (reciprocal of capital requirement of 10%) in times			10
Equivalent Risk Weight Exposure [g]			
Equivalent Risk Weight Exposure [h=f+g]			187,520,828

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Risk Exposure Calculation for Market Risk

currency	Open Position (FCY)	Rate	Amount in Rs	
			Open Position (LCY)	Relevant Open Position
Danish Croner	300.00	14.2100	4,263	4,263
Malaysian Ringgit	967.00	24.4014	23,596	23,596
Arab Emirates Dhiram	-	-	-	-
Hongkong Dollar	-	-	-	-
Indian Rupees	(1,675,906.28)	1.6008	(2,682,707)	2,682,707
Saudi Arab Rial	2,843.00	21.3563	60,716	60,716
Qatari Rial	500.00	21.6879	10,844	10,844
Thai bhat	8,000.00	2.5025	20,020	20,020
Canadian Dollar	200.00	81.8602	16,372	16,372
Swiss Frank	10,083.80	89.5194	902,695	902,695
Swedish Kroner	450.00	11.9394	5,373	5,373
Singapore Dollar	380.19	65.3789	24,856	24,856
Chinese Yuan	-	-	-	-
Australian Dollar	12,623.49	85.0833	1,074,048	1,074,048
Pound Sterling	6,551.01	130.4319	854,461	854,461
Japanese Yen	1,106,763.00	1.0065	1,113,957	1,113,957
EURO	15,685.39	107.5746	1,687,350	1,687,350
US Dollar	(196,625.56)	82.1000	(16,142,958)	16,142,958
Total Open position (a)				24,624,215
Fixed Percentage (b)				5.00%
Capital Charge for Market Risk [c=(axb)]				1,231,211
Risk weight (reciprocal of capital requirement of 10%) in times (d)				10.00
Equivalent Risk Weight Exposure[e=(cxd)]				12,312,108

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

The Bank doesn't have any NPAs (Both Gross and Net) as of Chaitra End 2068/69.

(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	Poush End 2068	Chaitra End 2068	% Change
Loan Loss Provisions	53,421,932	64,652,327.60	21.02%
Interest Suspense	7,811,904	6,733,943.35	-13.80%

(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	500,002,933
Available for Sale	-
Total Investments	

(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 regularly.

