

Civil Bank Limited

Disclosure under BASEL II for the Second Quarter ended as at Poush 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 | (3,024,037) |
| Other Free Reserves | 3,436,089 |
| Total Core Capital | 1,201,469,252 |

(B) Tier 2 Capital and Its Breakdown:

| Supplementary Capital (Tier 2) | Amount in NPR |
|--------------------------------------|-------------------|
| General loan loss provision | 53,421,930 |
| Exchange Equalization Reserve | 107,100 |
| Total Supplementary Capital | 53,529,030 |

(C) Detail of Subordinated Term Debts:

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

(D) Deductions from Capital: N/A

(E) Total Qualifying Capital:

| Particulars | Amount in NPR |
|---------------------------------------|----------------------|
| Core Capital (Tier 1) | 1,201,469,252 |
| Supplementary Capital (Tier 2) | 53,529,030 |
| Total Qualifying Capital | 1,254,998,282 |

(F) Capital Adequacy Ratio:

| Particulars | Percentage of Total RWE |
|--|-------------------------|
| Capital Adequacy Ratio – Core Capital | 18.17% |
| Capital Adequacy Ratio – Capital Fund | 18.98% |

(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 | 6,419,347,755 |
| b Risk Weighted Exposure for Operational Risk | 187,520,828 |
| c Risk Weighted Exposure for Market Risk | 4,763,461 |
| <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) | 6,611,632,043 |

(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 | 88,194,843 |
| Claims on Corporate and Securities Firms | 4,500,259,904 |
| Claims on Regulatory Retail Portfolio | 22,693,558 |
| Claims secured by Residential Properties | 77,621,590 |
| Claims secured by Commercial Real Estate | 377,495,659 |
| Past Due Claims | - |
| High Risk Claims | 289,603,166 |
| Other Assets | 280,359,638 |
| Off Balance Sheet Items | 783,119,398 |
| Total Credit Risk Exposure | 6,419,347,755 |



(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 | 183,746,277 | - | - | 183,746,277 | 0% | - |
| Balance With Nepal Rastra Bank | | - | - | | 0% | - |
| Investment in Nepalese Government Securities | 456,794,883 | - | - | 456,794,883 | 0% | - |
| All Claims on Government of Nepal | 7,842,152 | - | - | 7,842,152 | 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 | 220,047,230 | - | - | 220,047,230 | 20% | 44,009,446 |
| Claims on domestic banks that do not meet capital adequacy requirements | - | - | - | - | 100 | - |
| Claims on foreign bank (ECA Rating 0-1) | 218,629,193 | - | - | 218,629,193 | 20% | 43,725,839 |
| 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 | 2,297,789 | - | - | 2,297,789 | 20% | 459,558 |
| Claims on Domestic Corporates | | | 17,339,344.97 | | | 4,500,259,904 |

| | | | | | | |
|--|-------------|---|---------------|-------------|----------|---------------|
| 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 | 22,693,558 | - | - | 22,693,558 | - | 22,693,558 |
| Claims secured by residential properties | 130,169,316 | - | 800,000.00 | 129,369,316 | 60% | 77,621,590 |
| Claims not fully secured by residential properties | - | - | - | - | 150 | - |
| Claims secured by residential properties (Overdue) | - | - | - | - | - | - |
| Claims secured by Commercial real estate | 377,495,659 | - | - | 377,495,659 | - | 377,495,659 |
| 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) | 224,234,814 | - | 31,166,037.40 | 193,068,777 | 150 % | 289,603,166 |
| 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) | 280,359,638 | - | - | 280,359,638 | - | 280,359,638 |
| TOTAL | | - | 49,305,382.37 | | | 5,636,228,357 |

CIVIL BANK

| 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) | 863,928,730 | - | 53,122,719 | 810,806,012 | 20% | 162,161,202 |
| 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) " | 385,908,025 | - | 30,684,719 | 355,223,305 | 50% | 177,611,653 |
| 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 | 130,826,828 | - | 8,205,895 | 122,620,933 | 100% | 122,620,933 |
| Financial Guarantee | - | - | - | - | 100% | - |

| | | | | | |
|--|---------------|-------------|---------------|------------|---------------|
| Acceptances and Endorsements | 273,634,272 | 18,647,149 | 254,987,123 | 100% | 254,987,123 |
| Unpaid portion of Partly paid shares and Securities | | | - | 100% | - |
| Irrevocable Credit commitments (Short term) | 258,837,098 | | 258,837,098 | 20% | 51,767,420 |
| Irrevocable Credit commitments (long term) | | | - | 50% | - |
| Other Contingent Liabilities | 14,624,568 | - | 653,500 | 13,971,068 | 100% |
| Unpaid Guarantee Claims | | | - | | - |
| TOTAL | | - | | | 783,119,398 |
| | 1,927,759,521 | 111,313,982 | 1,816,445,539 | | |
| Total RWE for credit Risk (A) +(B) | | - | | | |
| | 9,606,638,222 | 160,619,365 | 9,446,018,858 | | 6,419,347,755 |
| 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) | | - | | | |
| | 9,606,638,222 | 160,619,365 | 9,446,018,858 | | 6,419,347,755 |

CIVIL BANK

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 |

CIVIL BANK

Risk Exposure Calculation for Market Risk

| currency | Open Position (FCY) | Rate | Amount in Rs | |
|--|------------------------|----------|------------------------|---------------------------|
| | | | Open Position (LCY) | Relevant Open Position |
| Danish Croner | 300.00 | 13.9429 | 4,183 | 4,183 |
| Malaysian Ringgit | 567.00 | 25.4941 | 14,455 | 14,455 |
| Arab Emirates Dhiram | - | 20.7693 | - | - |
| Hongkong Dollar | - | 10.4875 | - | - |
| Indian Rupees | (164,779.49) | 1.6008 | (263,771) | 263,771 |
| Saudi Arab Rial | 1,300.00 | 21.4334 | 27,863 | 27,863 |
| Qatari Rial | 500.00 | 21.7664 | 10,883 | 10,883 |
| Thai bhat | 8,000.00 | 2.4468 | 19,574 | 19,574 |
| Canadian Dollar | 2,690.00 | 80.6197 | 216,867 | 216,867 |
| Swiss Frank | 4,553.80 | 86.9303 | 395,863 | 395,863 |
| Swedish Kroner | 450.00 | 86.9303 | 39,119 | 39,119 |
| Singapore Dollar | 1,700.00 | 63.8359 | 108,521 | 108,521 |
| Chinese Yuan | - | 12.7605 | - | - |
| Australian Dollar | 14,492.72 | 84.7091 | 1,227,665 | 1,227,665 |
| Pound Sterling | (2,311.51) | 125.7930 | (290,772) | 290,772 |
| Japanese Yen | 607,463 | 1.0611 | 644,579 | 644,579 |
| EURO | (55,333.07) | 105.1974 | (5,820,895) | 5,820,895 |
| US Dollar | (5,376.05) | 82.2000 | (441,911) | 441,911 |
| Total Open position (a) | | | | |
| Fixed Percentage (b) | | | | |
| Capital Charge for Market Risk [c=(axb)] | | | | 476,346 |
| Risk weight (reciprocal of capital requirement of 10%) in times (d) | | | | 10.00 |
| Equivalent Risk Weight Exposure[e=(cxd)] | | | | 4,763,461 |

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

The Bank doesn't have any NPAs (Both Gross and Net) as of Poush 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 | Ashwin End 2068 | Poush End 2068 | % Change |
|----------------------|-----------------|----------------|----------|
| Loan Loss Provisions | 41,234,407 | 53,421,932 | 29.56% |
| Interest Suspense | 4,721,494 | 7,811,904 | 65.45% |

(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 | 456,794,883 |
| 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.

