

Civil Bank Limited
Disclosure under BASEL II
Poush End 2074

1. Capital Structure and Capital Adequacy:

(A) Tier 1 Capital and Its Breakdown:

	<i>Amount '000s</i>
Core Capital (Tier 1)	Amount in NPR
Paid up Equity Share Capital	5,185,221.69
Share Premium	4,666.89
Proposed Bonus Equity Shares	-
Statutory General Reserves	534,015.54
Retained Earnings	378,440.32
Current Year Profit/Loss	216,949.06
Capital Adjustment Reserves	-
Capital Redemption Reserves	592,733.44
Less: Deferred Tax Assets	-
Less: Investment in equity in licensed Financial Institutions	120,615.00
Total Core Capital	6,791,411.95

(B) Tier 2 Capital and Its Breakdown:

	<i>Amount '000s</i>
Supplementary Capital (Tier 2)	Amount in NPR
General loan loss provision	392,366.02
Exchange Equalization Reserve	9,969.25
Investment Adjustment Reserve	3,224.01
Total Supplementary Capital	405,599.28

(C) Detail of Subordinated Term Debts:

There is no Subordinated Term Debts as of Ashwin End 2074.

(D) Deductions from Core Capital:

	<i>Amount '000s</i>
Adjustments under Pillar II	Amount in NPR
SRP 6.4a(5) ALM policies & practices are not satisfactory, add 1% of net interest income to RWE	9,948.61
SRP 6.4a (7) Add RWE equivalent to reciprocal of capital charge of 5 % of gross income.	632,900.00
SRP 6.4a (9) Overall risk management policies and procedures are not satisfactory. Add 4% of RWE	1,496,381.00
Total	2,139,229.60

(E) Total Qualifying Capital:

	<i>Amount '000s</i>
Particulars	Amount in NPR
Core Capital (Tier 1)	6,791,411.95
Supplementary Capital (Tier 2)	405,599.28
Total Qualifying Capital	7,196,971.23

(F) Capital Adequacy Ratio:

Particulars	Percentage of Total RWE
Capital Adequacy Ratio – Core Capital	17.17%
Capital Adequacy Ratio – Capital Fund	18.20%

2. Risk Exposures :

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

Risk Weighted Exposures	<i>Amount '000s</i> Current Year
Risk Weighted Exposure for Credit Risk	35,694,365.80
Risk Weighted Exposure for Operational Risk	1,626,553.16
Risk Weighted Exposure for Market Risk	88,605.94
<i>Adjustments under Pillar II</i>	
Add : Additional Risk Weight as per Capital Adequacy Framework 6.4 a 5	9,948.61
Add : Additional Risk Weight as per Capital Adequacy Framework 6.4 a 7	632,900.00
Add : Additional Risk Weight as per Capital Adequacy Framework 6.4 a 9	1,496,381.00
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)	39,548,754.50

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

Category of Credit Risk	<i>Amount '000s</i> Risk Exposure in NPR
Claims on Government and Central Bank	-
Claims on other Official Entities	799,211.99
Claims on Banks	807,919.99
Claims on Corporate and Securities Firms	18,569,372.25
Claims on Regulatory Retail Portfolio (Not Overdue)	5,208,745.45
Claims fulfilling all criterion of regulatory retail except granularity	0.00
Claims secured by Residential Properties	1,043,397.90
Claims secured by residential properties (Overdue)	52,507.91
Claims secured by Commercial Real Estate	688,714.35
Past Due Claims	2,636,372.93
High Risk Claims	1,866,595.35
Investments in equity and other capital instruments of institutions listed in stock exchange	94,291.41
Investments in equity and other capital instruments of institutions not listed in the stock exchange	112,305.45
Staff Loan Secured by Residential Property	95,042.40
Cash in transit and other cash items in the process of collection	0.00
Other Assets	613,351.36
Off Balance Sheet Items	3,106,537.05
Total Credit Risk Exposure	35,694,365.80

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

Amount '000s

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	746,273.72	-	-	746,273.72	0%	-
Balance With Nepal Rastra Bank	2,197,805.44	-	-	2,197,805.44	0%	-
Gold	0.00	-	-	0.00	0%	-
Investment in Nepalese Government Securities	5,590,322.99	-	-	5,590,322.99	0%	-
All Claims on Government of Nepal	220,304.67	167.38	-	220,137.29	0%	-
Investment in Nepal Rastra Bank securities	0.00	-	-	0.00	0%	-
All claims on Nepal Rastra Bank	98,301.36	-	-	98,301.36	0%	-
Claims on Foreign Government and Central Bank (ECA 0-1)	0.00	-	-	0.00	0%	-
Claims on Foreign Government and Central Bank (ECA -2)	0.00	-	-	0.00	20%	-
Claims on Foreign Government and Central Bank (ECA -3)	0.00	-	-	0.00	50%	-
Claims on Foreign Government and Central Bank (ECA-4-6)	0.00	-	-	0.00	100%	-
Claims on Foreign Government and Central Bank (ECA -7)	0.00	-	-	0.00	150%	-
Claims On BIS, IMF, ECB, EC and MDB's recognized by the framework	0.00	-	-	0.00	0%	-
Claims on Other Multilateral Development Banks	0.00	-	-	0.00	100%	-
Claims on Public Sector Entity (ECA 0-1)	0.00	-	-	0.00	20%	-
Claims on Public Sector Entity (ECA 2)	0.00	-	-	0.00	50%	-
Claims on Public Sector Entity (ECA 3-6)	807,284.83	8,072.85	-	799,211.99	100%	799,211.99
Claims on Public Sector Entity (ECA 7)	0.00	-	-	0.00	150%	-
Claims on domestic banks that meet capital adequacy requirements	1,663,805.93	13,312.06	-	1,650,493.86	20%	330,098.77
Claims on domestic banks that do not meet capital adequacy requirements	2,788.45	2,788.45	-	0.00	100%	-
Claims on foreign bank (ECA Rating 0-1)	762,493.56	-	-	762,493.56	20%	152,498.71
Claims on foreign bank (ECA Rating 2)	341,588.97	-	-	341,588.97	50%	170,794.48
Claims on foreign bank (ECA Rating 3-6)	0.00	-	-	0.00	100%	-
Claims on foreign bank (ECA Rating 7)	0.00	-	-	0.00	150%	-
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	772,640.11	-	-	772,640.11	20%	154,528.02
Claims on Domestic Corporates	18,786,926.25	212,637.50	-	18,569,372.25	100%	18,569,372.25
Claims on Foreign Corporates (ECA 0-1)	0.00	-	4,916.50	0.00	20%	-

Claims on Foreign Corporates (ECA 2)	0.00	-		0.00	50%	-
Claims on Foreign Corporates (ECA 3-6)	0.00	-		0.00	100%	-
Claims on Foreign Corporates (ECA 7)	0.00	-		0.00	150%	-
Regulatory Retail Portfolio (Not Overdue)	7,023,504.57	78,510.63		6,944,993.94	75%	5,208,745.45
Claims fulfilling all criterion of regularity retail except granularity	0.00	-		0.00	100%	-
Claims secured by residential properties	1,762,045.48	23,048.98		1,738,996.50	60%	1,043,397.90
Claims not fully secured by residential properties	0.00	-		0.00	150%	-
Claims secured by residential properties (Overdue)	64,961.47	12,453.56		52,507.91	100%	52,507.91
Claims secured by Commercial real estate	695,671.06	6,956.71		688,714.35	100%	688,714.35
Past due claims (except for claims secured by residential properties)	2,897,113.40	1,139,531.44		1,757,581.96	150%	2,636,372.93
High Risk claims	1,682,345.31	19,536.63	418,411.77	1,244,396.90	150%	1,866,595.35
Investments in equity and other capital instruments of institutions listed in stock exchange	108,169.13	13,877.72		94,291.41	100%	94,291.41
Investments in equity and other capital instruments of institutions not listed in the stock exchange	75,170.30	300.00		74,870.30	150%	112,305.45
Staff loan secured by residential property	158,404.00	-		158,404.00	60%	95,042.40
Interest Receivable/claim on government securities	49,075.05	-		49,075.05	0%	-
Cash in transit and other cash items in the process of collection	0.00	-		0.00	20%	-
Other Assets (as per attachment)	2,697,040.06	2,083,688.70		613,351.36	100%	613,351.36
TOTAL (A)	49,204,036.10	3,614,882.62	423,328.27	45,165,825.20		32,587,828.75

B. Off Balance Sheet Exposures	Gross Book Value (a)	Specific Provision (b)	Eligible CRM (c)	Net Value (d=a-b-c)	Risk Weight	Risk Weighted
Revocable Commitments		-			0%	-
Bills Under Collection		-			0%	-
Forward Exchange Contract Liabilities	62,289.94	-		62,289.94	10%	94,659.63
LC Commitments With Original Maturity Upto 6 months domestic counterparty	946,596.28	-		946,596.28	20%	692,647.17
Foreign counterparty (ECA Rating 0-1)	3,634,829.14	-	171,593.28	3,463,235.85	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%	146,158.45
Foreign counterparty (ECA Rating 0-1)	308,470.89	-	16,154.00	292,316.89	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	-	-	-	50%	877,019.34	
Foreign counterparty (ECA Rating 0-1)	1,925,908.74	-	171,870.05	1,754,038.68	20%	-
Foreign counterparty (ECA Rating 2)	-	-	-	50%	-	
Foreign counterparty (ECA Rating 3-6)	-	-	-	100%	315,606.60	
Foreign counterparty (ECA Rating 7)	315,606.60	-	-	315,606.60	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	-	-	-	100%	410,055.02	
Financial Guarantee	465,832.08	-	55,777.06	410,055.02	100%	-
Acceptances and Endorsements	-	-	-	100%	255,491.35	
Unpaid portion of Partly paid shares and Securities	274,952.74	-	19,461.39	255,491.35	100%	-
Irrevocable Credit commitments (short term)	-	-	-	20%	240,010.97	
Irrevocable Credit commitments (long term)	1,200,054.86	-	-	1,200,054.86	50%	2,631.82
Claims on foreign bank incorporated in SAARC region operating with a buffer of 1% above their respective regulatory capital requirement	5,263.64	-	-	5,263.64	20%	-
Other Contingent Liabilities	-	-	-	100%	72,256.70	
Unpaid Guarantee Claims	72,256.70	-	-	72,256.70	200%	-
TOTAL (B)	-	-	-	-	3,106,537.05	
Total RWE for credit Risk Before Adjustment (A) +(B)	9,212,061.61	434,855.79	8,777,205.82		35,694,365.80	
Adjustments under Pillar II	58,416,097.71	3,614,882.62	858,184.06	53,943,031.02		
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 under Pillar II	58,416,097.71	3,614,882.62	858,184.06	53,943,031.02	0.00	35,694,365.80

Risk Exposure Calculation for Operational Risk

Particulars	Amount '000s		
	Year 1	Year 2	Year 3
Net Interest Income	612,776.22	850,749.39	994,860.64
Commission and Discount Income	55,006.00	55,158.07	67,976.41
Other Operating Income	64,589.00	65,577.88	87,196.87
Exchange Fluctuation Income	58,511.92	72,233.14	89,962.36
Additional/Deduction in Interest Suspense during the period	67,394.92	85,297.80	25,815.71
Gross income (a)	858,278.06	1,129,016.28	1,265,811.98
Alfa (b)	15.00%	15.00%	15.00%
Fixed Percentage of Gross Income [c=(a×b)]	128,741.71	169,352.44	189,871.80
Capital Requirement for operational risk (d) (average of c)	162,655.32		-
Risk Weight (reciprocal of capital requirement of 10%) in times (e)		10	
Equivalent Risk Weight Exposure [f=(d×e)]		1,626,553.16	

Risk Exposure Calculation for Market Risk

Currency	Amount '000s		
	Open Position (FCY)	Open Position (LCY)	Relevant Open Position
INR	87,104.57	139,432.63	139,432.63
USD	(218.42)	(22,235.58)	22,235.58
GBP	14.72	2,057.61	2,057.61
EUR	21.36	2,651.86	2,651.86
THB	6.50	21.04	21.04
CHF	13.57	1,430.73	1,430.73
AUD	3.14	251.25	251.25
CAD	21.57	1,765.27	1,765.27
SGD	0.37	28.35	28.35
JPY	6,157.52	5,668.62	5,668.62
HKD	1.87	24.12	24.12
DKK	-	-	-
SEK	-	-	-
SAR	17.97	478.80	478.80
QAR	12.17	340.20	340.20
AED	7.16	197.26	197.26
MYR	7.43	190.63	190.63
KRW	2,731.00	262.72	262.72
CNY	5.67	89.34	89.34
KWD	0.25	85.85	85.85
BHD	-	-	-
Total Open position (a)			177,211.87
Fixed Percentage (b)			5%
Capital Charge for Market Risk [c=(axb)]			8,860.59
Risk weight (reciprocal of capital requirement of 10%) in times (d)			10
Equivalent Risk Weight Exposure [e=(cxd)]			88,605.94

3. Details of Non-Performing Loan

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

Particulars	Amount '000s
	Amount in NPR
Gross NPA	1,586,747.19
Net NPA	465,371.07

(B) Classification of Loans:

Particulars	Amount '000s	
	Amount in NPR	
Restructure Loan	-	
Substandard Loan	417,660.94	
Doubtful Loan	304,250.73	
Loss Loan	864,835.52	
Watch List Loan	1,439,466.23	
Pass Loan	32,041,583.04	

(C) NPA Ratios

Particulars	Amount '000s	
	Amount in NPR	
Gross NPA	1,586,747.19	
Total Loan and Advances	35,067,796.46	
Gross NPA/Total Loan & Advances	4.52%	
Net NPA	465,371.07	
Net Loan and Advances	33,553,568.72	
Net NPA/Net Loan & Advances	1.39%	

(D) Movement of Non – Performing Assets

Particulars	Amount '000s		
	Last Quarter	This Quarter	% Change
Non-Performing Loans	1,519,103.99	1,586,747.19	4.45%

(E) Write off of Loans and Interest Suspense

Particulars	This Quarter
Loan Written Off	-
Interest Suspense Written off	-
Total Write Off	-

(F) Movement in Loan Loss Provisions and Interest Suspense

Particulars	Amount '000s		
	Last Quarter	This Quarter	% Change
Loan Loss Provisions	1,514,227.74	1,425,599.29	6.22%
Interest Suspense	513,339.15	469,391.68	9.36%

(G) Details of Additional Loan Loss Provision

There is no Additional Loan Loss Provision.

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

Category	Amount '000s	
	Amount in NPR	
Held for Trading	-	
Held to Maturity	7,021,283.28	
Available for Sale	183,339.43	
Total Investments	7,204,622.71	

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 2074.

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.