

Citizens Bank International Ltd.
Disclosure as per Basel III
For 1st Quarter of FY 2016-17 ending October 16, 2016

Information presented hereunder is as per disclosure requirements of the Capital Adequacy Framework issued by NRB. Disclosures are in respect of the stand-alone capital adequacy of Citizens Bank International Ltd.

Capital Structure and Capital Adequacy:

a. Core Capital and its components	NPR In Full Figures
Components of Tier 1 Capital	Amount in Rs.
Paid up Equity Share Capital	5,537,351,761.54
Irredeemable Non-cumulative preference shares	-
Share Premium	402,050,042.88
Proposed Bonus Equity Shares	-
Statutory General Reserves	695,877,047.39
Retained Earnings	42,041,432.68
Un-audited current year cumulative profit/(loss)	345,156,626.00
Capital Redemption Reserve	100,000,000.00
Capital Adjustment Reserve	-
Dividend Equalization Reserves	-
Other Free Reserve	27,367,880.73
Deductions	-
Deferred Tax Assest	(255,756,443.97)
Less: Intangible assets	(9,660,219.52)
Less: Goodwill	(508,800,476.00)
Less: Investment in equity of institutions with financial interests	(67,000,000.00)
Core Capital (Tier 1)	6,308,627,651.73

b. Supplementary Capital and its components	Amount in Rs.
Supplementary Capital (Tier 2)	-
Cumulative and/or Redeemable Preference Share	-
Subordinated Term Debt	400,000,000.00
Hybrid Capital Instruments	-
General Loan Loss Provision	480,901,934.76
Exchange Equalization Reserve	18,107,710.50
Investment Adjustment Reserve	17,616,000.00
Assets Revaluation Reserve	-
Other Reserves	-
Supplementary Capital (Tier 2)	916,625,645.26

c. Subordinated Term Debt	Amount in Rs.
8.5% Citizens Bank Bond, 2077	-
Outstanding Amount	500,000,000.00
Maturity Date	Poush 2077
Amount raised during the year	-
Amount eligible for Tier 2 Capital Fund (net of redemption reserve)	500,000,000.00

The bank has created debenture redemption reserve, and appropriated NPR 100 Million, i.e. 20% of face value, starting from Poush 2072/73. The current balance of Redemption Reserve stands at NPR 100 Million.

d. Deduction from Capital

The bank has deducted the following items in calculation of Tier 1 Capital:

NPR 508.80 Million Goodwill.

NPR 255.76 Million Deferred Tax Assets.

NPR 9.66 Million Intangible Assets

NPR 67.00 Million invested in equity capital of subsidiary company

e. Total Qualifying Capital	Amount in Rs.
Description	-
Core Capital (Tier 1)	6,308,627,651.73
Supplementary Capital (Tier 2)	916,625,645.26
Total Capital Fund	7,225,253,296.99

f. Capital Adequacy Ratio

Description	Amount in Rs.
Tier 1 Capital to Total Risk Weighted Exposures	11.75%
Tier 2 Capital to Total Risk Weighted Exposures	13.45%

Risk Weighted Exposures

g. Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

Risk Weighted Exposures	Amount in Rs.
Risk Weighted Exposure for Credit Risk	49,302,168,924.81
Risk Weighted Exposure for Operational Risk	2,612,453,789.50
Risk Weighted Exposure for Market Risk	104,817,235.56
Add: 2% of RWE as Supervisory Haircut	1,040,388,799.00
Add: 3% of Operational Risk as Supervisory Haircut	646,508,691.60
Total Risk Weighted Exposures (after bank's adjustments of Pillar II)	53,706,337,440.47

h. Risk weighted exposures under each 11 categories of Credit Risk

Risk Weighted Exposure	Amount in Rs.
Categories of Credit Risk	
Claims On Government and Central Bank	-
Claims On Other Official Entities	-
Claims On Banks	760,919,618.95
Claims on Corporate And Securities Firms	21,406,370,800.51
Claims On Regulatory Retail Portfolio	6,241,444,053.89
Claims Secured By Resedential Properties	1,415,410,768.68
Claims Secured By Commercial Real Estate	2,776,233,614.16
Past Due Claims	758,219,919.31
High Risk Claims	8,009,514,436.41
Other Assets	3,581,206,757.16
Off Balance Sheet Items	4,352,848,955.74
Total Credit Risk Weighted Exposures	49,302,168,924.81

i. Total Risk Weighted Exposure calculation table:

Risk Weighted Exposures	Amount in Rs.
Credit Risk exposure	49,302,168,924.81
Operational Risk Exposure	2,612,453,789.50
Market Risk Exposure	104,817,235.56
Adjustments under Pillar II	
Add: 2% of RWE as Supervisory Haircut	1,040,388,799.00
Add: 3% of Operational Risk as Supervisory Haircut	646,508,691.60
Total Risk Weightage Exposures	53,706,337,440.47
Total Core Capital	6,308,627,651.73
Total Capital Fund	7,225,253,296.99
Core Capital to Total Risk Weighted Exposures	11.75%
Total Capital Fund to Total Risk Weighted Exposures	13.45%

Details of Non-Performing Assets

j. Amount of Non-Performing Assets (both Gross and Net)

Particulars	Gross Amount Rs	Provision Rs	Amount in Rs.
			Net Amount
Rescheduled / Restructured		-	-
Sub Standard	143,469,467	35,867,367	107,602,100
Doubtful	99,948,747	49,974,374	49,974,374
Loss	512,264,113	512,264,113	-
Total	755,682,328	598,105,854	157,576,474

k. Ratio of Non Performing Assets

Particulars	Percentage
Total NPL to Total Loans & Advances	1.73%
Net NPL to Net Loans & Advances	0.37%

l. Movement of Non performing Assets

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.
			Change
Rescheduled / Restructured	-	-	-
Sub Standard	94,667,651	143,469,467	51.55%
Doubtful	50,697,584	99,948,747	97.15%
Loss	415,240,868	512,264,113	23.37%
Total	560,606,103	755,682,328	34.80%

m. Written of Loans & Advances

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.
			Change
Loan written off	-	-	0%
Interest Suspense written off	103,122,165.00	81,349,490.57	-21.11%

n. Movements of Loan Loss Provision and Interest Suspense

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.	
			Changes	Percentage
Loan Loss Provision	930,356,201.00	1,089,793,144.11	159,436,943.11	17.14%
Interest Suspense	228,592,310.00	362,550,297.00	133,957,987.00	58.60%

o. Details of Additional Loan Loss Provision

Particulars	Previous Quarter Rs	Current Quarter Rs	Additional Provision in Current Quarter Rs	Amount in Rs.
				Change
Pass Loan	383,200,058	412,054,502	28,854,444	7.53%
Watchlist	82,899,570	79,632,788	(3,266,782)	-3.94%
Rescheduled / Restructured	-	-	-	-
Sub Standard	23,666,913	35,867,367	12,200,454	51.55%
Doubtful	25,348,792	49,974,374	24,625,582	97.15%
Loss	415,240,868	512,264,113	97,023,245	23.37%
Additional	-	-	-	-
Total	930,356,201	1,089,793,144		17.14%

p. Investments

Particulars	Classification	Amount Rs
Investment in Equity Shares	Held For Trading	34,883,994
Investment in Treasury Bills	Held To Maturity	1,401,567,081
Investment in Government Bonds	Held To Maturity	3,970,200,000
Investment in NRB Special Account	Held To Maturity	1,081,025,000
Placements In banks	Held To Maturity	971,543,563
Other Investments	Available For Sale	250,808,715
Total		7,710,028,353

q. Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities, if applicable.

The current paid up capital of the bank stands at NPR 5,537,351,763.00 which fulfills the capital requirement of the bank. The bank will increase capital to NPR 8 billion till FY 2073/74 as per the authorised capital plan of the bank which is uploaded in the bank's official website (www.ctznbank.com).

Risk Management Framework

1. Bank recognizes the importance of Risk Management and has accordingly invested in processes, people and a management structure. Overall risk management function of the bank is supervised by Risk Management Committee and Internal Audit Committee represented by BOD members and Senior Executives. Risk Management Committee reviews the asset quality at frequent intervals and Internal Audit Committee provides assurance that the internal control systems of the bank are in place. The human capital is also managed by Human Resource Management and Compensation Committee represented by BOD members and Senior Executives. There is Assets and Liabilities Management Committee (ALCO) represented by Senior Executives of the bank to monitor the interest rate risk, liquidity risk, exchange risk, market risk, etc. Authority, responsibility and accountability has been fixed to the executives of the bank. Product policies and programs are duly approved before any new product launches and are reviewed regularly.

2. Credit Risk Management Department analyzes the inherent risks in a particular product. As such the Bank has drawn a clear demarcation between the Credit Business Unit (CBU) and the Risk Management Unit (RMU). A lending process completes once it undergoes both of these units, one business generating the other risk monitoring and controlling. The bank has standard Credit Policies Guidelines that define the bank's credit policies, risk mitigating measures, and the single obligor limit.

3. Credit risk mitigants used by the bank are deposit of the borrower within the bank, cash margin and deposit with other banks and financial institutions applying supervisory haircut of 20% for capital adequacy. Such mitigants have minimum impact on the overall capital adequacy of the bank.

r. Summary of the terms, conditions and main features of all capital instruments specially in case of subordinated term debts including hybrid capital instruments.

All the capital of the banks are unconditional. The bank has Subordinated Debt of 500,000 8.5% Citizens Bank Bond, 2077, the main features of which are as under:

Name	8.5% Citizens Bank Bond, 2077
Amount	NPR 500,000,000.00
Interest Rate	8.5% per annum (before tax) payable quarterly
Type	Unsecured and Redeemable at Maturity No call / convertible feature
Numbers of Debentures	500,000 (Five Hundred Thousand Only)
Face Value	NPR 1,000.00
Maturity Period	7 Years
Priority to Debenture Holders	At the time of liquidation, priority of payment to the debenture holders will be after the depositors and secured creditors.
Listing	Listed with Nepal Stock Exchange

The bank has created debenture redemption reserve, and appropriated NPR 100 Million, i.e. 20% of face value, starting from Poush 2072/73. The current balance of Redemption Reserve stands at NPR 100 Million.