

Citizens Bank International Ltd.
Disclosure as per Basel III
For 3rd Quarter of FY 2016-17 ending April 13, 2017

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	5,876,439,862
Irredeemable Non-cumulative preference shares	-
Share Premium	402,050,043
Proposed Bonus Equity Shares	-
Statutory General Reserves	695,877,047
Retained Earnings	32,305,999
Un-audited current year cumulative profit/(loss)	882,854,465
Capital Redemption Reserve	100,000,000
Capital Adjustment Reserve	-
Dividend Equalization Reserves	-
Other Free Reserve	27,367,881
Deductions	-
Deffered Tax Assest	(255,756,444)
Less: Intangible assets	(8,786,301)
Less: Goodwill	(508,800,476)
Less: Investment in equity of institutions with financial interests	(67,000,000)
Core Capital (Tier 1)	7,176,552,076

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
Hybrid Capital Instruments	-
General Loan Loss Provision	506,833,172
Exchange Equalization Reserve	18,107,711
Investment Adjustment Reserve	17,616,000
Assets Revaluation Reserve	-
Other Reserves	-
Supplementary Capital (Tier 2)	942,556,883

c. Subordinated Term Debt	Amount in Rs.
8.5% Citizens Bank Bond, 2077	-
Outstanding Amount	500,000,000
Maturity Date	Poush 2077
Amount raised during the year	-
Amount eligible for Tier 2 Capital Fund (net of redemption reserve)	400,000,000

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 Deffered Tax Assets.

NPR 8.79 Million Intangible Assets

NPR 67.00 Million invested in equity capital of subsidiary company

e. Total Qualifying Capital

Description	Amount in Rs.
Core Capital (Tier 1)	7,176,552,076
Supplementary Capital (Tier 2)	942,556,883
Total Capital Fund	8,119,108,959

f. Capital Adequacy Ratio

Description	Amount in Rs.
Tier 1 Capital to Total Risk Weighted Exposures	12.24%
Tier 2 Capital to Total Risk Weighted Exposures	13.85%

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	53,747,674,281
Risk Weighted Exposure for Operational Risk	2,612,453,790
Risk Weighted Exposure for Market Risk	488,079,480
Add: 2% of RWE as Supervisory Haircut	1,136,964,151
Add: 3% of Operational Risk as Supervisory Haircut	646,508,692
Total Risk Weighted Exposures (after bank's adjustments of Pillar II)	58,631,680,393

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	1,284,945,975
Claims on Corporate And Securities Firms	22,838,314,238
Claims On Regulatory Retail Portfolio	6,888,008,583
Claims Secured By Resedential Properties	1,515,811,986
Claims Secured By Commercial Real Estate	3,245,467,177
Past Due Claims	708,126,433
High Risk Claims	8,710,674,503
Other Assets	2,695,626,263
Off Balance Sheet Items	5,860,699,122
Total Credit Risk Weighted Exposures	53,747,674,281

i. Total Risk Weighted Exposure calculation table:

Risk Weighted Exposures	Amount in Rs.
Credit Risk exposure	53,747,674,281
Operational Risk Exposure	2,612,453,790
Market Risk Exposure	488,079,480
Adjustments under Pillar II	
Add: 2% of RWE as Supervisory Haircut	1,136,964,151
Add: 3% of Operational Risk as Supervisory Haircut	646,508,692
Total Risk Weightage Exposures	58,631,680,393
Total Core Capital	7,176,552,076
Total Capital Fund	8,119,108,959
Core Capital to Total Risk Weighted Exposures	12.24%
Total Capital Fund to Total Risk Weighted Exposures	13.85%

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	248,126,614	62,031,654	186,094,961
Doubtful	155,965,843	77,982,921	77,982,921
Loss	334,695,654	334,695,654	-
Total	738,788,111	474,710,229	264,077,882

k. Ratio of Non Performing Assets

Particulars	Percentage
Total NPL to Total Loans & Advances	1.55%
Net NPL to Net Loans & Advances	0.56%

l. Movement of Non performing Assets

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.
			Change
Rescheduled / Restructured	-	-	-
Sub Standard	165,529,711	248,126,614	49.90%
Doubtful	119,566,634	155,965,843	30.44%
Loss	332,834,178	334,695,654	0.56%
Total	617,930,523	738,788,111	19.56%

m. Written of Loans & Advances

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.
			Change
Loan written off	-	-	0%
Interest Suspense written off	3,109,885	461,311	-85.17%

n. Movements of Loan Loss Provision and Interest Suspense

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.	
			Changes	
			Amount	Percentage
Loan Loss Provision	940,142,983	987,284,794	47,141,811	5.01%
Interest Suspense	240,495,643	283,721,102	43,225,459	17.97%

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	450,516,070	460,121,730	9,605,660	2.13%
Watchlist	55,626,990	52,452,835	(3,174,155)	-5.71%
Rescheduled / Restructured	-	-	-	-
Sub Standard	41,382,428	62,031,654	20,649,226	49.90%
Doubtful	59,783,317	77,982,921	18,199,604	30.44%
Loss	332,834,178	334,695,654	1,861,476	0.56%
Additional	-	-	-	-
Total	940,142,983	987,284,794		5.01%

p. Investments

Particulars	Classification	Amount Rs
Investment in Equity Shares	Held For Trading	167,751,767
Investment in Treasury Bills	Held To Maturity	684,396,637
Investment in Government Bonds	Held To Maturity	5,130,200,000
Investment in NRB Special Account	Held To Maturity	-
Placements In banks	Held To Maturity	1,779,370,564
Other Investments	Available For Sale	150,534,411
Total		7,912,253,379

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 5,876,439,861.54 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.