

Citizens Bank International Limited
Disclosure as per Basel II
For 2nd Quarter of FY 2015-16 ending January 14, 2016

Information presented hereunder is as per disclosure requirements of the Capital Adequacy Framework.

Capital Structure and Capital Adequacy:

a. Core Capital and its components

Description	Amount Rs
Paid up Equity Share Capital	3,065,233,816
Statutory General Reserve	479,801,547
Retained Earning	125,203,776
Share Premium	2,971,617
Unaudited Current Year Cummulative Profit	418,482,660
Deferred tax Reserve	27,367,881
Deductions	
Deffered Tax Assest	(59,934,561)
Investment in equity in institutions with financial interests	(15,000,000)
Core Capital (Tier 1)	4,044,126,736

b. Supplementary Capital and its components:

Description	Amount Rs
Subordinated Term Debt	400,000,000
General Loan Loss Provision	394,158,086
Exchange Equilisation Reserve	8,484,797
Investment Adjustment Reserve	30,819,114
Supplementary Capital (Tier 2)	833,461,997

c. Subordinated Term Debt

8.5% Citizens Bank Bond, 2077	Amount Rs
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 and discounting)	400,000,000

d. Deduction from Capital

Deffered Tax Asset of Rs. 59,934,561 has been deducted from Capital.

Investment in equity in institutions with financial interests of NPR 15,000,000 has been deducted from Capital.

e. Total Qualifying Capital

Description	Amount Rs
Core Capital (Tier 1)	4,044,126,736
Supplementary Capital (Tier 2)	833,461,997
Total Capital Fund	4,877,588,733

f. Capital Adequacy Ratio

Description	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	10.27%
Tier 2 Capital to Total Risk Weighted Exposures	2.12%

Risk Weighted Exposures

g. Risk Weighted Exposures

Risk Weightage Exposures	Amount Rs
Risk Weighted Exposure for Credit Risk	35,880,162,602
Risk Weighted Exposure for Operational Risk	2,187,987,453
Risk Weighted Exposure for Market Risk	66,593,180
Adjustment Under Pillar- II	
Add: 1% of Net Interest Income as Supervisory Haircut	
Add: 2% of RWE as Supervisory Haircut	762,694,865
Add: 3% of Operational Risk as Supervisory Haircut	482,022,299
Total Risk Weighted Exposures (after bank's adjustments of Pillar II)	39,379,460,398

h. Categories of Credit Risk Exposures

Risk Weighted Exposure	Amount Rs
Claims On Government and Central Bank	-
Claims On Other Official Entities	87,215
Claims On Banks	684,868,688
Claims on Corporate And Securities Firms	17,301,366,212
Claims On Regulatory Retail Portfolio	4,976,698,443
Claims Secured By Resedential Properties	1,062,716,412
Claims Secured By Commercial Real Estate	2,145,845,386
Past Due Claims	806,761,807
High Risk Claims	4,087,709,119
Other Assets	1,622,754,962
Off Balance Sheet Items	3,191,354,360
Total Credit Risk Assets	35,880,162,602

i. Computation of Capital Adequacy Ratio

Particulars	Amount Rs
Total Risk Weightage Assets	39,379,460,398
Total Core Capital	4,044,126,736
Total Capital Fund	4,877,588,733
Core Capital to Total Risk Weighted Exposures	10.27%
Total Capital Fund to Total Risk Weighted Exposures	12.39%

j. Non Performing Assets

Particulars	Amount Rs	Provision Rs	Net NPL Rs
Rescheduled / Restructured	-	-	-
Sub Standard	275,657,750	68,914,437	206,743,312
Doubtful	151,754,228	75,877,114	75,877,114
Loss	389,115,068	389,115,068	-
Total	816,527,046	533,906,620	282,620,427

k. Ratio of Non Performing Assets

Particulars	Percentage
Gross NPA to Gross Loans & Advances	2.43%
Net NPA to Net Loans & Advances	0.87%

l. Movement in Non Performing Assets

Particulars	Previous Quarter Rs	Current Quarter Rs	Change
Rescheduled / Restructured	-	-	-
Sub Standard	367,468,935	275,657,750	-24.98%
Doubtful	64,235,221	151,754,228	136.25%
Loss	316,096,017	389,115,068	23.10%
Total	747,800,173	816,527,046	9.19%

m. Written Off of Loans & Advances

Particulars	Previous Quarter Rs	Current Quarter Rs	Change
Loan written off	-	-	0%
Interest Suspense written off	252,223	2,367,844	838.79%

n. Movement in Loan Loss Provision and Interest Suspense

Particulars	Previous Quarter Rs	Current Quarter Rs	Additional Provision in Current Quarter Rs	Change
Pass Loan	264,236,278	292,655,243	28,418,965	11%
Watchlist	117,761,910	104,234,145	(13,527,765)	-11%
Rescheduled / Restructured	-	-	-	-
Sub Standard	91,867,234	68,914,437	(22,952,796)	-25%
Doubtful	32,117,610	75,877,114	43,759,504	136%
Loss	316,096,017	389,115,068	73,019,051	23%
Additional	15,113,200	-	(15,113,200)	-100%
Total	837,192,249	930,796,008	93,603,758	11.18%
Interest Suspense	232,792,421	206,720,653	(26,071,768)	-11%

o. Investments

Particulars	Classification	Amount Rs
Investment in Equity Shares	Held For Trading	100,840,826
Investment in Treasury Bills	Held To Maturity	1,669,380,330
Investment in Government Bonds	Held To Maturity	3,683,215,459
Investment in NRB Special Account	Held To Maturity	952,775,000
Placements In banks	Held To Maturity	746,921,832
Other Investments	Held For Trading	96,970
Total		7,153,230,417

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

1. Based on the bank's own risk profile, Bank has adopted Pillar 1 minimum capital requirement approach to assess its adequacy of capital. Under this approach, Bank uses as a starting point the minimum capital calculated according to the Nepal Rastra Bank Directives on Capital Adequacy Framework 2007 (updated 2008), for credit risk, operational risk and market risk. If the level of capital maintained is not adequate to cater the need of the annual budgeted risk appetite, then plans to allocate additional capital to cover these risks or strengthen bank's internal processes so that the probability of incurring unexpected losses in the future is minimized.

The current paid up capital of the bank stands at NPR 3,065,233,816 which fulfills the capital requirement of the bank as required by NRB Directives and the budgeted risk appetite of the bank. The bank will increase capital to NPR 8 billion till FY 2073/74 as per the capital plan of the bank submitted to NRB.

2. Bank recognizes the importance of Risk Management to maintain capital adequately 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.

3. 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.

4. 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.

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

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