

Citizens Bank International Ltd.
Disclosure as per Basel II
For 1st Quarter of FY 2015-16 ending October 17, 2015

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 Cumulative Profit	142,780,730
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)	3,768,424,806

b. Supplementary Capital and its components:

Description	Amount Rs
Subordinated Term Debt	500,000,000
General Loan Loss Provision	380,869,237
Exchange Equilisation Reserve	8,484,797
Investment Adjustment Reserve	30,819,114
Supplementary Capital (Tier 2)	920,173,148

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)	500,000,000

d. Deduction from Capital

Deffered Tax Assest 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)	3,768,424,806
Supplementary Capital (Tier 2)	920,173,148
Total Capital Fund	4,688,597,954

f. Capital Adequacy Ratio

Description	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	9.74%
Tier 2 Capital to Total Risk Weighted Exposures	2.38%

g. 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 3,065,233,816 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).

h. 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	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	will be after the depositors and secured creditors.
Listing	Listed with Nepal Stock Exchange

Brief About Risk Assets

a. Risk Weightage Assets

Risk Weightage Assets	Amount Rs
Risk Weighted Exposure for Credit Risk	35,239,940,132
Risk Weighted Exposure for Operational Risk	2,187,987,453
Risk Weighted Exposure for Market Risk	44,372,527
Adjustment Under Pillar- II	
Add: 1% of Net Interest Income as Supervisory Haircut	
Add: 2% of RWE as Supervisory Haircut	749,446,002
Add: 3% of Operational Risk as Supervisory Haircut	482,022,299
Total Risk Weighted Exposures (after bank's adjustments of Pillar II)	38,703,768,413

b. Categories of Credit Risk Assets

Risk Weighted Exposure	Amount Rs
Claims On Government and Central Bank	-
Claims On Other Official Entities	87,215
Claims On Banks	643,284,671
Claims on Corporate And Securities Firms	16,531,827,560
Claims On Regulatory Retail Portfolio	4,682,215,758
Claims Secured By Resedential Properties	1,038,757,269
Claims Secured By Commercial Real Estate	2,107,538,542

Past Due Claims	699,202,886
High Risk Claims	4,193,951,783
Other Assets	2,386,622,842
Off Balance Sheet Items	2,956,451,606
Total Credit Risk Assets	35,239,940,132

c. Computation of Capital Adequacy Ratio

Particulars	Amount Rs
Total Risk Weightage Assets	38,703,768,413
Total Core Capital	3,768,424,806
Total Capital Fund	4,688,597,954
Core Capital to Total Risk Weighted Exposures	9.74%
Total Capital Fund to Total Risk Weighted Exposures	12.11%

d. Non Performing Assets

Particulars	Amount Rs	Provision Rs	Net NPL Rs
Rescheduled / Restructured	-	-	-
Sub Standard	367,468,935	91,867,234	275,601,702
Doubtful	64,235,221	32,117,610	32,117,610
Loss	316,096,017	316,096,017	-
Total	747,800,173	440,080,862	307,719,312

e. Ratio of Non Performing Assets

Particulars	Percentage
Total NPL to Total Loans & Advances	2.35%
Net NPL to Net Loans & Advances	0.99%

f. Change in Non Performing Assets

Particulars	Previous Quarter Rs	Current Quarter Rs	Change
Rescheduled / Restructured	-	-	-
Sub Standard	57,398,821	367,468,935	540.20%
Doubtful	53,313,272	64,235,221	20.49%
Loss	336,853,293	316,096,017	-6.16%
Total	447,565,386	747,800,173	67.08%

g. Written Off Loans & Advances

Particulars	Previous Quarter Rs	Current Quarter Rs	Change
Loan written off	-	-	0%
Interest Suspense written off	29,714,740	252,223	-99.15%

h. Change in Possible Loss on Loans & Advances

Particulars	Previous Quarter Rs	Current Quarter Rs	Additional Provision in Current Quarter Rs	Change
Pass Loan	278,352,371	264,444,078	(13,908,293)	-5%
Watchlist	63,161,330	117,242,410	54,081,080	86%
Rescheduled / Restructured	-	-	-	-
Sub Standard	14,349,705	91,867,234	77,517,529	540%
Doubtful	26,656,636	32,117,610	5,460,974	20%
Loss	336,853,293	316,096,017	(20,757,276)	-6%
Additional	-	15,113,200	15,113,200	-
Total	719,373,335	836,880,550	117,507,214	16.33%
Interest Suspense	206,534,085	232,792,421	26,258,336	13%

i. Investments.

Particulars	Classification	Amount Rs
Investment in Equity Shares	Held For Trading	87,315,656
Investment in Treasury Bills	Held To Maturity	1,181,094,121
Investment in Government Bonds	Held To Maturity	3,693,271,009
Investment in NRB Special Account	Held To Maturity	550,000,000
Placements In banks	Held To Maturity	715,773,399
Other Investments	Held For Trading	114,279,905
Total		6,341,734,089

Risk Management System

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.