

**Disclosure as per Basel II  
For The Quarter Ended Poush 2070**

**Capital Structure and Capital Adequacy:**

**a. Core Capital and its components**

Description	Amount Rs
Paid up Equity Share Capital	2,101,840,000
Statutory General Reserve	236,121,303
Retained Earning	2,649,788
Share Premium	2,971,617
Unaudited Current Year Cummulative Profit	236,460,642
Deferred tax Reserve	32,883,855
<b>Deductions</b>	
Miscellaneous Expenditure not written off	(16,184,964)
<b>Core Capital (Tier 1)</b>	<b>2,596,742,241</b>

**b. Supplementary Capital and its components:**

Description	Amount Rs
Subordinated Term Debt	500,000,000
General Loan Loss Provision	199,150,933
Exchange Equilisation Reserve	3,120,719
Investment Adjustment Reserve	138,000
<b>Supplementary Capital (Tier 2)</b>	<b>702,409,652</b>

**c. Subordinated Term Debt**

The bank has issued Debenture of Rs. 500,000,000.

**d. Deduction from Capital**

Unamortized portion of Premium paid on Development Bond Rs. 18,817,700 has been deducted from Capital.

**e. Total Qualifying Capital**

Description	Amount Rs
Core Capital (Tier 1)	2,596,742,241
Supplementary Capital (Tier 2)	702,409,652
<b>Total Capital Fund</b>	<b>3,299,151,894</b>

**f. Capital Adequacy Ratio**

Description	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	10.66%
Tier 2 Capital to Total Risk Weighted Exposures	2.88%

**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 2,101,840,000 which fulfills the capital requirement of the bank. The bank will analyze the requirements on the future activities and look at increasing the paid up capital, as per the requirement.

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

The main features of the Subordinated Term Debts are as follows:

Bond Issued	8.5% Citizens Bank Bond 2077
Outstanding Amount	Rs. 500000000
Interest Rate	8.50%
Maturity Date	2077
Interest Payment	Quarterly
Tenor	7 years

## Brief About Risk Assets

### a. Risk Weightage Assets

<b>Risk Weightage Assets</b>	<b>Amount Rs</b>
Risk Weighted Exposure for Credit Risk	21,945,741,026
Risk Weighted Exposure for Operational Risk	1,379,570,080
Risk Weighted Exposure for Market Risk	175,795,667
Adjustment Under Pillar- II	
Add: 1% of Net Interest Income as Supervisory Haircut	
Add: 2% of RWE as Supervisory Haircut	470,022,135
Add: 3% of Operational Risk as Supervisory Haircut	391,828,890
<b>Total Risk Weighted Exposures (after bank's adjustments of Pillar II)</b>	<b>24,362,957,798</b>

### b. Categories of Credit Risk Assets

<b>Risk Weighted Exposure</b>	<b>Amount Rs</b>
Claims On Government and Central Bank	-
Claims On Other Official Entities	214,541,295
Claims On Banks	983,519,131
Claims on Corporate And Securities Firms	10,959,846,340
Claims On Regulatory Retail Portfolio	2,685,554,117
Claims Secured By Resedential Properties	549,640,961
Claims Secured By Commercial Real Estate	1,795,947,932
Past Due Claims	833,104,190
High Risk Claims	1,311,259,688
Other Assets	1,177,553,949
Off Balance Sheet Items	1,434,773,423
<b>Total Credit Risk Assets</b>	<b>21,945,741,026</b>

### c. Computation of Capital Adequacy Ratio

<b>Particulars</b>	<b>Amount Rs</b>
Total Risk Weightage Assets	24,362,957,798
Total Core Capital	2,596,742,241
Total Capital Fund	3,299,151,894
Core Capital to Total Risk Weighted Exposures	10.66%
Total Capital Fund to Total Risk Weighted Exposures	13.54%

### d. Non Performing Assets

<b>Particulars</b>	<b>Amount Rs</b>	<b>Provision Rs</b>	<b>Net NPL Rs</b>
Rescheduled / Resstructured	-	-	-
Sub Standard	107,107,825	26,776,956	80,330,869
Doubtful	151,608,679	75,804,339	75,804,339
Loss	243,502,161	243,502,161	-
<b>Total</b>	<b>502,218,665</b>	<b>346,083,457</b>	<b>156,135,208</b>

**e. Ratio of Non Performing Assets**

Particulars	Percentage
Total NPL to Total Loans & Advances	2.46%
Net NPL to Net Loans & Advances	0.79%

**f. Change in Non Performing Assets**

Particulars	Previous Quarter Rs	Current Quarter Rs	Change
Rescheduled / Resstructured	-	-	-
Sub Standard	169,462,165	107,107,825	-37%
Doubtful	241,317,571	151,608,679	-37%
Loss	103,593,091	243,502,161	135%
<b>Total</b>	<b>514,372,827</b>	<b>502,218,665</b>	<b>-2%</b>

**g. Written Off Loans & Advances**

Particulars	Previous Quarter Rs	Current Quarter Rs	Change
Loan written off	-	-	100%
Interest Suspense written off	-	-	100%

**h. Change in Possible Loss on Loans & Advances**

Particulars	Previous Quarter Rs	Current Quarter Rs	Additional Provision in Current Quarter Rs	Change
Rescheduled / Resstructured	-	-	-	0%
Sub Standard	42,365,541	26,776,956	(15,588,585)	-37%
Doubtful	120,658,786	75,804,339	(44,854,447)	-37%
Loss	103,593,091	243,502,161	139,909,070	135%
Additional	-	-	-	0%
<b>Total</b>	<b>266,617,418</b>	<b>346,083,457</b>	<b>79,466,039</b>	<b>30%</b>
<b>Interest Suspense</b>	<b>217,267,428</b>	<b>217,267,428</b>	<b>0</b>	<b>0%</b>

**i. Additional Loan Loss Provision**

Particulars	Previous Quarter Rs	Current Quarter Rs	Change
Loan Loss Provision	454,827,489	545,234,391	20%

**j. Investments.**

Particulars	Classification	Amount Rs
Investment in Equity Shares	Held For Trading	25,600,000
Investment in Treasury Bills	Held To Maturity	252,529,220
Investment in Government Bonds	Held To Maturity	1,525,075,000
Placements In banks	Held To Maturity	1,499,075,000
<b>Total</b>		<b>3,302,279,220</b>

## **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 on 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 mitigatants have minimum impact on the overall capital adequacy of the bank.