

Citizens Bank International Ltd.
Disclosure as per Basel III
For 1st Quarter of FY 2017-18 ending October 17, 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	8,029,160,008
Irredeemable Non-cumulative preference shares	-
Share Premium	-
Proposed Bonus Equity Shares	-
Statutory General Reserves	912,209,357
Retained Earnings	129,098,115
Un-audited current year cumulative profit/(loss)	319,098,587
Capital Redemption Reserve	200,000,000
Capital Adjustment Reserve	-
Dividend Equalization Reserves	-
Other Free Reserve	-
Deductions	-
Deferred Tax Assest	(87,873,011)
Less: Intangible assets	(10,257,720)
Less: Goodwill	-
Less: Investment in equity of institutions with financial interests	(67,000,000)
Core Capital (Tier 1)	9,424,435,336

b. Supplementary Capital and its components	Amount in Rs.
Supplementary Capital (Tier 2)	-
Cumulative and/or Redeemable Preference Share	-
Subordinated Term Debt	300,000,000
Hybrid Capital Instruments	-
General Loan Loss Provision	513,038,790
Exchange Equalization Reserve	33,055,535
Investment Adjustment Reserve	85,276,000
Assets Revaluation Reserve	-
Other Reserves	9,233,754
Supplementary Capital (Tier 2)	940,604,078

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 200 Million, i.e. 20% of face value, starting from Poush 2072/73. The current balance of Redemption Reserve stands at NPR 200 Million.

d. Deduction from Capital

The Bank has deducted the following items in calculation of Tier 1 Capital:
 NPR 87.87 Million Deferred Tax Assets.
 NPR 10.26 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)	9,424,435,336
Supplementary Capital (Tier 2)	940,604,078
Total Capital Fund	10,365,039,414

f. Capital Adequacy Ratio

Description	Amount in Rs.
Tier 1 Capital to Total Risk Weighted Exposures	14.55%
Tier 2 Capital to Total Risk Weighted Exposures	16.01%

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	58,036,543,649
Risk Weighted Exposure for Operational Risk	3,313,014,293
Risk Weighted Exposure for Market Risk	1,013,022,526
Add: 2% of RWE as Supervisory Haircut	1,247,251,609
Add: 4% of Operational Risk as Supervisory Haircut	1,145,703,447
Total Risk Weighted Exposures (after bank's adjustments of Pillar II)	64,755,535,525

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	1,742,636,686
Claims on Corporate And Securities Firms	24,546,585,929
Claims On Regulatory Retail Portfolio	6,981,376,739
Claims Secured By Residential Properties	1,547,294,138
Claims Secured By Commercial Real Estate	3,139,777,591
Past Due Claims	544,257,717
High Risk Claims	9,369,790,664
Other Assets	3,804,659,740
Off Balance Sheet Items	6,360,164,445
Total Credit Risk Weighted Exposures	58,036,543,649

i. Total Risk Weighted Exposure calculation table:

Risk Weighted Exposures	Amount in Rs.
Credit Risk exposure	58,036,543,649
Operational Risk Exposure	3,313,014,293
Market Risk Exposure	1,013,022,526
Adjustements under Pillar II	
Add: 2% of RWE as Supervisory Haircut	1,247,251,609
Add: 3% of Operational Risk as Supervisory Haircut	1,145,703,447
Total Risk Weightage Exposures	64,755,535,525
Total Core Capital	9,424,435,336
Total Capital Fund	10,365,039,414
Core Capital to Total Risk Weighted Exposures	14.55%
Total Capital Fund to Total Risk Weighted Exposures	16.01%

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 / Resstructured			-
Sub Standard	124,274,163	31,068,541	93,205,622
Doubtful	144,090,239	72,045,119	72,045,119
Loss	726,796,878	726,796,878	-
Total	995,161,279	829,910,538	165,250,741

k. Ratio of Non Performing Assets

Particulars	Percentage
Total NPL to Total Loans & Advances	1.99%
Net NPL to Net Loans & Advances	0.34%

l. Movement of Non performing Assets

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.
			Change
Rescheduled / Resstructured	-	-	-
Sub Standard	48,898,672	124,274,163	154.15%
Doubtful	182,507,287	144,090,239	-21.05%
Loss	749,384,316	726,796,878	-3.01%
Total	980,790,275	995,161,279	1.47%

m. Written of Loans & Advances

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.
			Change
Loan written off	-	-	0%
Interest Suspense written off	380,831	817,638	114.70%

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	1,356,605,253	1,346,582,050	(10,023,203)	-0.74%
Interest Suspense	674,533,587	761,483,472	86,949,885	12.89%

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	468,452,022	484,215,145	15,763,123	3.36%
Watchlist	30,799,724	32,456,368	1,656,643	5.38%
Rescheduled / Resstructured	-	-	-	
Sub Standard	12,224,668	31,068,541	18,843,873	154.15%
Doubtful	91,253,644	72,045,119	(19,208,524)	-21.05%
Loss	749,384,316	726,796,878	(22,587,438)	-3.01%
Additional	4,490,880		(4,490,880)	
Total	1,356,605,253	1,346,582,050		-0.74%

p. Investments

Particulars	Classification	Amount Rs
Investment in Equity Shares	Held For Trading	74,841,968
Investment in Equity Shares	Available For Sale	103,167,501
Investment in Treasury Bills	Held To Maturity	158,406,220
Investment in Government Bonds	Held To Maturity	6,897,425,000
Placements In banks	Held To Maturity	1,724,614,818
Other Investments	Available For Sale	69,148,561
Total		9,027,604,068

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 8,029,160,007.54 which fulfills the capital requirement of the Bank 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 200 Million, i.e. 20% of face value, starting from Poush 2072/73. The current balance of Redemption Reserve stands at NPR 200 Million.