

**Citizens Bank International Ltd.**  
**Disclosure as per Basel III**  
**For 2nd Quarter of FY 2017-18 ending January 14, 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. Tier 1 Capital and a breakdown of its components**

**NPR In Full Figures**

<b>Tier 1 Capital (Core Capital) (CET1 +AT1)</b>	<b>Amount in Rs.</b>
<b>Common Equity Tier 1 (CET 1)</b>	<b>9,694,347,080</b>
Paid up Equity Share Capital	8,029,160,008
Equity Share Premium	-
Proposed Bonus Equity Shares	-
Statutory General Reserves	912,209,357
Retained Earnings	129,098,115
Un-audited current year cumulative profit/ (loss)	628,599,723
Capital Redemption Reserve	200,000,000
Capital Adjustment Reserve	-
Dividend Equalization Reserves	-
Other Free Reserve	-
Less: Goodwill	-
Less: Intangible assets	(9,647,112)
Less: Deferred tax Asset	(87,873,011)
Less: Fictitious Assets	-
Less: Investment in equity in licensed Financial Institutions	-
Less: Investment in equity in institutions with financial interests	(107,200,000)
Less: Investment in equity of institutions in excess of limits	-
Less Investments arising out of underwriting commitments	-
Less: Reciprocal crossholdings	-
Less: Purchase of land & building in excess of limit and unutilized	-
Less: Cash Flow Hedge	-
Less: Defined Benefit Pension Assets	-
Less: Un recognized Defined Benefit Pension Liabilities	-
Less: Other deductions	-
<b>ADJUSTMENT UNDER PILLAR II</b>	<b>-</b>
Less: Shortfall in Provision(6.4 a 1)	-
Less: Loans and Facilities extended to Related Parties and Restricted Lending (6.4 a 2)	-
<b>Additional Tier 1 (AT1)</b>	<b>-</b>
Perpetual Non Cumulative Preference Share Capital	-
Perpetual Debt Instruments	-
Stock Premium	-
<b>Tier 1 Capital (Core Capital) (CET1 +AT1)</b>	<b>9,694,347,080</b>

**b. Tier 2 Capital and a breakdown of its components**

<b>Tier 2 Capital ( Supplementary Capital)</b>	<b>Amount in Rs.</b>
Cumulative and/or Redeemable Preference Share	-
Subordinated Term Debt	300,000,000
Hybrid Capital Instruments	-
Stock Premium	-
General Loan Loss Provision	532,470,997
Exchange Equalization Reserve	33,055,535
Investment Adjustment Reserve	85,276,000
Assets Revaluation Reserve	-
Other Reserves	8,613,978
<b>Supplementary Capital (Tier 2)</b>	<b>959,416,509</b>

**c. Detailed Information about the Subordinated Term Debt with information on the outstanding amount, maturity, amount raised during the year and amount eligible to be reckoned as capital funds.**

<b>8.5% Citizens Bank Bond, 2077</b>	<b>Amount in Rs.</b>
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)	300,000,000

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 9.65 Million Intangible Assets.  
 NPR 107.20 Million invested in equity capital of subsidiary company.

**e. Total Qualifying Capital**

<b>Description</b>	<b>Amount in Rs.</b>
Common Equity Tier 1 Capital (CET 1)	9,694,347,080
Tier 1 Capital	9,694,347,080
Tier 2 Capital	959,416,509
Total Capital Fund (Tier 1 and Tier 2)	10,653,763,589
Risk Weighted Exposures	70,857,360,780.87

**f. Capital Adequacy Ratio**

<b>Description</b>	<b>Amount in Rs.</b>
Leverage Ratio	<b>9.45%</b>
Common Equity Tier 1 Capital to Total Risk Weighted Exposures ratio	<b>13.68%</b>
Tier 1 Capital to Total Risk Weighted Exposures Ratio	<b>13.68%</b>
Total Capital to Total Risk Weighted Exposures Ratio	<b>15.04%</b>

## 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	64,640,607,188
Risk Weighted Exposure for Operational Risk	3,313,014,293
Risk Weighted Exposure for Market Risk	391,140,611
Add: 2% of RWE as Supervisory Haircut	1,366,895,242
Add: 4% of Operational Risk as Supervisory Haircut	1,145,703,447
Total Risk Weighted Exposures (after bank's adjustments of Pillar II)	70,857,360,781

### h. Risk weighted exposures under each 11 categories of Credit Risk

Risk Weighted Exposure	Amount in Rs.
<b>Categories of Credit Risk</b>	
Claims On Government and Central Bank	-
Claims On Other Official Entities	-
Claims On Banks	2,045,163,927
Claims on Corporate And Securities Firms	26,466,614,209
Claims On Regulatory Retail Portfolio	7,256,722,535
Claims Secured By Residential Properties	1,691,525,001
Claims Secured By Commercial Real Estate	3,576,598,089
Past Due Claims	634,089,001
High Risk Claims	9,222,430,740
Other Assets	5,632,022,684
Off Balance Sheet Items	8,115,441,003
<b>Total Credit Risk Weighted Exposures</b>	<b>64,640,607,188</b>

### i. Total Risk Weighted Exposure calculation table:

Risk Weighted Exposures	Amount in Rs.
Credit Risk exposure	64,640,607,188
Operational Risk Exposure	3,313,014,293
Market Risk Exposure	391,140,611
<b>Adjustments under Pillar II</b>	
Add: 2% of RWE as Supervisory Haircut	1,366,895,242
Add: 4% of Operational Risk as Supervisory Haircut	1,145,703,447
<b>Total Risk Weightage Exposures</b>	<b>70,857,360,781</b>
Total Core Capital (CET1 +AT1)	9,694,347,080
Total Capital Fund (Tier 1 and Tier 2)	10,653,763,589
Common Equity Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	13.68%
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	13.68%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(AfterBank's adjustments of Pillar II)	15.04%

### 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	128,571,780	32,142,945	96,428,835
Doubtful	174,191,813	87,095,907	87,095,907
Loss	729,044,345	729,044,345	-
<b>Total</b>	<b>1,031,807,938</b>	<b>848,283,197</b>	<b>183,524,741</b>

#### k. Ratio of Non Performing Assets

Particulars	Percentage
Total NPL to Total Loans & Advances	1.94%
Net NPL to Net Loans & Advances	0.35%

### l. Movement of Non Performing Assets

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.
			Change
Rescheduled / Restructured	-	-	-
Sub Standard	124,274,163	128,571,780	3.46%
Doubtful	144,090,239	174,191,813	20.89%
Loss	726,796,878	729,044,345	0.31%
<b>Total</b>	<b>995,161,279</b>	<b>1,031,807,938</b>	<b>3.68%</b>

### m. Write off of Loans and Interest Suspense

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.
			Change
Loan written off	-	-	-
Interest Suspense written off	817,638	8,887,856	987.02%

### n. Movements in Loan Loss Provision and Interest Suspense

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.	
			Changes	Percentage
			Amount	Percentage
<b>Loan Loss Provision</b>	1,346,582,050	1,384,718,154	38,136,103	2.83%
<b>Interest Suspense</b>	761,483,472	790,178,640	28,695,168	3.77%

**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	484,215,145	519,445,063	35,229,918	7.28%
Watchlist	32,456,368	16,989,894	(15,466,473)	-47.65%
Rescheduled / Restructured	-	-	-	
Sub Standard	31,068,541	32,142,945	1,074,404	3.46%
Doubtful	72,045,119	87,095,907	15,050,787	20.89%
Loss	726,796,878	729,044,345	2,247,468	0.31%
Additional			-	
<b>Total</b>	<b>1,346,582,050</b>	<b>1,384,718,154</b>	<b>38,136,103</b>	<b>2.83%</b>

**p. Segregation of Investments portfolio**

Particulars	Classification	Amount Rs
Investment in Equity Shares	Held For Trading	81,310,067
Investment in Equity Shares	Available For Sale	145,367,501
Investment in Treasury Bills	Held To Maturity	78,947,500
Investment in Government Bonds	Held To Maturity	5,666,075,000
Placements In banks	Held To Maturity	2,942,777,486
Other Investments	Available For Sale	150,000,000
<b>Total</b>		<b>9,064,477,554</b>

**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.

**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:

<b>Name</b>	<b>8.5% Citizens Bank Bond, 2077</b>
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.