

Disclosure as per Basel II For The Quarter Ended Poush 2071

Capital Structure and Capital Adequacy:

a. Core Capital and its components

Description	Amount Rs
Paid up Equity Share Capital	2,379,539,800
Statutory General Reserve	335,739,846
Retained Earning	8,096,554
Share Premium	2,971,617
Unaudited Current Year Cumulative Profit	279,871,154
Deferred tax Reserve	27,367,881
Deductions	
Miscellaneous Expenditure not written off	(4,583,472)
Core Capital (Tier 1)	3,029,003,381

b. Supplementary Capital and its components:

Description	Amount Rs
Subordinated Term Debt	500,000,000
General Loan Loss Provision	260,213,369
Exchange Equilisation Reserve	3,120,720
Investment Adjustment Reserve	438,000
Supplementary Capital (Tier 2)	763,772,088

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

Unamortized portion of Premium paid on Development Bond Rs. 4,583,472 has been deducted from Capital.

e. Total Qualifying Capital

Description	Amount Rs
Core Capital (Tier 1)	3,029,003,381
Supplementary Capital (Tier 2)	763,772,088
Total Capital Fund	3,792,775,469

f. Capital Adequacy Ratio

Description	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	9.79%
Tier 2 Capital to Total Risk Weighted Exposures	2.47%

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 2,379,539,800 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.

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

Brief About Risk Assets

a. Risk Weightage Assets

Risk Weightage Assets	Amount Rs
Risk Weighted Exposure for Credit Risk	28,089,502,225
Risk Weighted Exposure for Operational Risk	1,752,521,229
Risk Weighted Exposure for Market Risk	59,396,505
Adjustment Under Pillar- II	
Add: 1% of Net Interest Income as Supervisory Haircut	
Add: 2% of RWE as Supervisory Haircut	598,028,399
Add: 3% of Operational Risk as Supervisory Haircut	438,941,283
Total Risk Weighted Exposures (after bank's adjustments of Pillar II)	30,938,389,642

b. Categories of Credit Risk Assets

Risk Weighted Exposure	Amount Rs
Claims On Government and Central Bank	-
Claims On Other Official Entities	177,968,960
Claims On Banks	582,253,783
Claims on Corporate And Securities Firms	13,029,602,790
Claims On Regulatory Retail Portfolio	4,139,421,092
Claims Secured By Residential Properties	816,387,701
Claims Secured By Commercial Real Estate	1,979,687,357
Past Due Claims	751,960,428
High Risk Claims	3,211,918,205
Other Assets	1,288,984,473
Off Balance Sheet Items	2,111,317,436
Total Credit Risk Assets	28,089,502,225

c. Computation of Capital Adequacy Ratio

Particulars	Amount Rs
Total Risk Weightage Assets	30,938,389,642
Total Core Capital	3,029,003,381
Total Capital Fund	3,792,775,469
Core Capital to Total Risk Weighted Exposures	9.79%
Total Capital Fund to Total Risk Weighted Exposures	12.26%

d. Non Performing Assets

Particulars	Amount Rs	Provision Rs	Net NPL Rs
Rescheduled / Resstructured	-	-	-
Sub Standard	98,469,013	24,617,253	73,851,760
Doubtful	55,807,422	27,903,711	27,903,711
Loss	380,463,380	380,463,380	-
Total	534,739,814	432,984,344	101,755,471

e. Ratio of Non Performing Assets

Particulars	Percentage
Total NPL to Total Loans & Advances	2.01%
Net NPL to Net Loans & Advances	0.39%

f. Change in Non Performing Assets

Particulars	Previous Quarter Rs	Current Quarter Rs	Change
Rescheduled / Resstructured	-	-	-
Sub Standard	84,357,663	98,469,013	16.73%
Doubtful	342,093,704	55,807,422	-83.69%
Loss	159,270,231	380,463,380	138.88%
Total	585,721,598	534,739,814	-8.70%

g. Written Off Loans & Advances

Particulars	Previous Quarter Rs	Current Quarter Rs	Change
Loan written off	-	-	0%
Interest Suspense written off	48,911,736	24,331,334	-50.25%

h. Change in Possible Loss on Loans & Advances

Particulars	Previous Quarter Rs	Current Quarter Rs	Additional Provision in Current Quarter Rs	Change
Pass Loan	243,863,242	260,213,369	16,350,127	7%
Rescheduled / Resstructured	-	-	-	

Sub Standard	21,089,416	24,617,253	3,527,837	17%
Doubtful	171,046,852	27,903,711	(143,143,141)	-84%
Loss	159,270,231	380,463,380	221,193,148	139%
Additional	-	-	-	
Total	595,269,741	693,197,713	97,927,972	16%
Interest Suspense	179,481,275	166,481,336	(12,999,939)	-7%

i. Investments.

Particulars	Classification	Amount Rs
Investment in Equity Shares	Held For Trading	74,574,940
Investment in Treasury Bills	Held To Maturity	1,621,274,051
Investment in Government Bonds	Held To Maturity	1,525,075,000
Investment in NRB Special Account	Held To Maturity	550,000,000
Placements In banks	Held To Maturity	561,219,479
Total		4,332,143,471

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