

Citizens Bank International Ltd.
Disclosure as per Basel III
For 2nd Quarter of FY 2016-17 ending January 13, 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	5,537,351,762
Irredeemable Non-cumulative preference shares	-
Share Premium	402,050,043
Proposed Bonus Equity Shares	-
Statutory General Reserves	695,877,047
Retained Earnings	22,546,843
Un-audited current year cumulative profit/(loss)	631,667,571
Capital Redemption Reserve	100,000,000
Capital Adjustment Reserve	-
Dividend Equalization Reserves	-
Other Free Reserve	27,367,881
Deductions	-
Deffered Tax Assest	(255,756,444)
Less: Intangible assets	(8,901,699)
Less: Goodwill	(508,800,476)
Less: Investment in equity of institutions with financial interests	(67,000,000)
Core Capital (Tier 1)	6,576,402,528

b. Supplementary Capital and its components	Amount in Rs.
Supplementary Capital (Tier 2)	-
Cumulative and/or Redeemable Preference Share	-
Subordinated Term Debt	400,000,000
Hybrid Capital Instruments	-
General Loan Loss Provision	502,467,954
Exchange Equalization Reserve	18,107,711
Investment Adjustment Reserve	17,616,000
Assets Revaluation Reserve	-
Other Reserves	-
Supplementary Capital (Tier 2)	938,191,665

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 100 Million, i.e. 20% of face value, starting from Poush 2072/73. The current balance of Redemption Reserve stands at NPR 100 Million.

d. Deduction from Capital

The Bank has deducted the following items in calculation of Tier 1 Capital:

NPR 508.80 Million Goodwill.

NPR 255.76 Million Deferred Tax Assets.

NPR 8.90 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)	6,576,402,528
Supplementary Capital (Tier 2)	938,191,665
Total Capital Fund	7,514,594,193

f. Capital Adequacy Ratio

Description	Amount in Rs.
Tier 1 Capital to Total Risk Weighted Exposures	11.75%
Tier 2 Capital to Total Risk Weighted Exposures	13.42%

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	51,596,174,029
Risk Weighted Exposure for Operational Risk	2,612,453,790
Risk Weighted Exposure for Market Risk	46,856,426
Add: 2% of RWE as Supervisory Haircut	1,085,109,685
Add: 3% of Operational Risk as Supervisory Haircut	646,508,692
Total Risk Weighted Exposures (after bank's adjustments of Pillar II)	55,987,102,621

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	978,812,396
Claims on Corporate And Securities Firms	22,533,837,282
Claims On Regulatory Retail Portfolio	6,922,673,185
Claims Secured By Resedential Properties	1,533,157,756
Claims Secured By Commercial Real Estate	2,780,637,638
Past Due Claims	800,329,832
High Risk Claims	8,581,772,480
Other Assets	2,417,661,693
Off Balance Sheet Items	5,047,291,767
Total Credit Risk Weighted Exposures	51,596,174,029

i. Total Risk Weighted Exposure calculation table:

Risk Weighted Exposures	Amount in Rs.
Credit Risk exposure	51,596,174,029
Operational Risk Exposure	2,612,453,790
Market Risk Exposure	46,856,426
Adjustments under Pillar II	
Add: 2% of RWE as Supervisory Haircut	1,085,109,685
Add: 3% of Operational Risk as Supervisory Haircut	646,508,692
Total Risk Weightage Exposures	55,987,102,621
Total Core Capital	6,576,402,528
Total Capital Fund	7,514,594,193
Core Capital to Total Risk Weighted Exposures	11.75%
Total Capital Fund to Total Risk Weighted Exposures	13.42%

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	165,529,711	41,382,428	124,147,283
Doubtful	119,566,634	59,783,317	59,783,317
Loss	332,834,178	332,834,178	-
Total	617,930,523	433,999,923	183,930,600

k. Ratio of Non Performing Assets

Particulars	Percentage
Total NPL to Total Loans & Advances	1.32%
Net NPL to Net Loans & Advances	0.39%

l. Movement of Non performing Assets

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.
			Change
Rescheduled / Restructured	-	-	-
Sub Standard	143,469,467	165,529,711	15.38%
Doubtful	99,948,747	119,566,634	19.63%
Loss	512,264,113	332,834,178	-35.03%
Total	755,682,328	617,930,523	-18.23%

m. Written of Loans & Advances

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.
			Change
Loan written off	-	-	0%
Interest Suspense written off	81,349,491	3,109,885	-96.18%

n. Movements of Loan Loss Provision and Interest Suspense

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.	
			Changes	Percentage
Loan Loss Provision	1,089,793,144	940,142,983	(149,650,161)	-13.73%
Interest Suspense	362,550,297	240,495,643	(122,054,654)	-33.67%

o. Details of Additional Loan Loss Provision

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.	
			Additional Provision in Current Quarter Rs	Change
Pass Loan	412,054,502	450,516,070	38,461,568	9.33%
Watchlist	79,632,788	55,626,990	(24,005,798)	-30.15%
Rescheduled / Restructured	-	-	-	-
Sub Standard	35,867,367	41,382,428	5,515,061	15.38%
Doubtful	49,974,374	59,783,317	9,808,943	19.63%
Loss	512,264,113	332,834,178	(179,429,935)	-35.03%
Additional	-	-	-	-
Total	1,089,793,144	940,142,983	(149,650,161)	-13.73%

p. Investments

Particulars	Classification	Amount Rs
Investment in Equity Shares	Held For Trading	33,508,383
Investment in Equity Shares	Available For Sale	108,574,434
Investment in Treasury Bills	Held To Maturity	777,244,590
Investment in Government Bonds	Held To Maturity	3,970,200,000
Investment in NRB Bond	Held To Maturity	1,081,025,000
Placements In banks	Held To Maturity	1,539,136,229
Other Investments	Available For Sale	150,534,411
Total		7,660,223,046

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 5,537,351,763.00 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).

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 100 Million, i.e. 20% of face value, starting from Poush 2072/73. The current balance of Redemption Reserve stands at NPR 100 Million.