

**Citizens Bank International Ltd.**  
**Unaudited Disclosure as per Basel III**  
**For 4th Quarter of FY 2016-17 ending July 15, 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:**

<b>a. Core Capital and its components</b>		<b>NPR In Full Figures</b>
<b>Components of Tier 1 Capital</b>	<b>Amount in Rs.</b>	
Paid up Equity Share Capital	6,921,689,662	
Irredeemable Non-cumulative preference shares	-	
Share Premium	-	
Proposed Bonus Equity Shares	-	
Statutory General Reserves	937,912,584	
Retained Earnings	1,190,193,497	
Un-audited current year cumulative profit/(loss)	-	
Capital Redemption Reserve	200,000,000	
Capital Adjustment Reserve	-	
Dividend Equalization Reserves	-	
Other Free Reserve	27,367,881	
<b>Deductions</b>	<b>-</b>	
Deferred Tax Asset	(93,818,370)	
Less: Intangible assets	(8,066,489)	
Less: Goodwill	-	
Less: Investment in equity of institutions with financial interests	(67,000,000)	
<b>Core Capital (Tier 1)</b>	<b>9,108,278,764</b>	

<b>b. Supplementary Capital and its components</b>		<b>Amount in Rs.</b>
<b>Supplementary Capital (Tier 2)</b>	<b>Amount in Rs.</b>	
Cumulative and/or Redeemable Preference Share	-	
Subordinated Term Debt	300,000,000	
Hybrid Capital Instruments	-	
General Loan Loss Provision	466,133,996	
Exchange Equalization Reserve	33,055,535	
Investment Adjustment Reserve	17,616,000	
Assets Revaluation Reserve	-	
Other Reserves	121,017,768	
<b>Supplementary Capital (Tier 2)</b>	<b>937,823,299</b>	

<b>c. Subordinated Term Debt</b>		<b>Amount in Rs.</b>
<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)	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 93.82 Million Deferred Tax Assets.

NPR 8.07 Million Intangible Assets

NPR 67.00 Million invested in equity capital of subsidiary company

<b>e. Total Qualifying Capital</b>		<b>Amount in Rs.</b>
<b>Description</b>	<b>Amount in Rs.</b>	
Core Capital (Tier 1)	9,108,278,764	
Supplementary Capital (Tier 2)	937,823,299	
<b>Total Capital Fund</b>	<b>10,046,102,063</b>	

**f. Capital Adequacy Ratio**

<b>Description</b>	<b>Amount in Rs.</b>
Tier 1 Capital to Total Risk Weighted Exposures	15.33%
Tier 2 Capital to Total Risk Weighted Exposures	16.91%

**Risk Weighted Exposures**

**g. Risk weighted exposures for Credit Risk, Market Risk and Operational Risk**

<b>Risk Weighted Exposures</b>	<b>Amount in Rs.</b>
Risk Weighted Exposure for Credit Risk	54,947,831,626
Risk Weighted Exposure for Operational Risk	2,612,453,790
Risk Weighted Exposure for Market Risk	55,427,211
Add: 2% of RWE as Supervisory Haircut	1,152,314,253
Add: 3% of Operational Risk as Supervisory Haircut	646,508,692
<b>Total Risk Weighted Exposures (after bank's adjustments of Pillar II)</b>	<b>59,414,535,570</b>

#### 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	915,474,865
Claims on Corporate And Securities Firms	22,495,497,978
Claims On Regulatory Retail Portfolio	6,897,660,866
Claims Secured By Resedential Properties	1,483,953,396
Claims Secured By Commercial Real Estate	2,990,737,542
Past Due Claims	1,777,439,320
High Risk Claims	8,792,547,268
Other Assets	3,736,997,165
Off Balance Sheet Items	5,857,523,227
<b>Total Credit Risk Weighted Exposures</b>	<b>54,947,831,626</b>

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

Risk Weighted Exposures	Amount in Rs.
Credit Risk exposure	54,947,831,626
Operational Risk Exposure	2,612,453,790
Market Risk Exposure	55,427,211
Adjustements under Pillar II	
Add: 2% of RWE as Supervisory Haircut	1,152,314,253
Add: 3% of Operational Risk as Supervisory Haircut	646,508,692
<b>Total Risk Weightage Exposures</b>	<b>59,414,535,570</b>
Total Core Capital	9,108,278,764
Total Capital Fund	10,046,102,063
Core Capital to Total Risk Weighted Exposures	15.33%
Total Capital Fund to Total Risk Weighted Exposures	16.91%

#### 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	47,398,672	11,849,668	35,549,004
Doubtful	182,507,287	91,253,644	91,253,644
Loss	383,738,075	383,738,075	-
<b>Total</b>	<b>613,644,034</b>	<b>486,841,386</b>	<b>126,802,648</b>

##### k. Ratio of Non Performing Assets

Particulars	Percentage
Total NPL to Total Loans & Advances	1.28%
Net NPL to Net Loans & Advances	0.27%

##### l. Movement of Non performing Assets

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.
			Change
Rescheduled / Restructured	-	-	-
Sub Standard	248,126,614	47,398,672	-80.90%
Doubtful	155,965,843	182,507,287	17.02%
Loss	334,695,654	383,738,075	14.65%
<b>Total</b>	<b>738,788,111</b>	<b>613,644,034</b>	<b>-16.94%</b>

##### 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	-	-100.00%

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

Particulars	Previous Quarter Rs	Current Quarter Rs	Amount in Rs.	
			Changes	Percentage
<b>Loan Loss Provision</b>	987,284,794	990,603,372	3,318,578	0.34%
<b>Interest Suspense</b>	283,721,102	282,048,030	(1,673,072)	-0.59%

##### 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	460,121,730	472,972,702	12,850,972	2.79%
Watchlist	52,452,835	30,789,283	(21,663,552)	-41.30%
Rescheduled / Restructured	-	-	-	
Sub Standard	62,031,654	11,849,668	(50,181,986)	-80.90%
Doubtful	77,982,921	91,253,644	13,270,723	17.02%
Loss	334,695,654	383,738,075	49,042,421	14.65%
Additional	-	-	-	
<b>Total</b>	<b>987,284,794</b>	<b>990,603,372</b>		<b>0.34%</b>

##### p. Investments

Particulars	Classification	Amount Rs
Investment in Equity Shares	Held For Trading	51,442,831
Investment in Equity Shares	Available For Sale	103,167,501
Investment in Treasury Bills	Held To Maturity	307,750,980
Investment in Government Bonds	Held To Maturity	6,427,425,000
Placements In banks	Held To Maturity	1,560,033,896
<b>Total</b>		<b>8,449,820,208</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 6,921,689,661.54 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](http://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.**

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 100 Million.