

**Citizens Bank International Ltd.**  
**Disclosure as per Basel III**  
**For 1st Quarter of FY 2017-18 ending October 17, 2018**

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**

Tier 1 Capital (Core Capital) (CET1 +AT1)	Amount in Rs.
<b>Common Equity Tier 1 (CET 1)</b>	<b>11,123,173,516</b>
Paid up Equity Share Capital	8,079,619,001
Equity Share Premium	46,382,600
Proposed Bonus Equity Shares	-
Statutory General Reserves	1,176,042,344
Retained Earnings	455,060,946
Un-audited current year cumulative profit/ (loss)	341,008,090
Capital Redemption Reserve	300,000,000
Capital Adjustment Reserve	-
Dividend Equalization Reserves	-
Bargain Purchase Gain	-
Other Free Reserve	898,720,344
Less: Goodwill	-
Less: Intangible assets	(16,534,424.29)
Less: Deferred tax Asset	-
Less: Fictitious Assets	-
Less: Investment in equity in licensed Financial Institutions	-
Less: Investment in equity in institutions with financial interests	(117,200,000)
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	(39,925,384)
Less: Cash Flow Hedge	-
Less: Defined Benefit Pension Assets	-
Less: Un recognized Defined Benefit Pension Liabilities	-
Less: Negative Balance of Reserve Account	-
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>11,123,173,516</b>

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

Tier 2 Capital ( Supplementary Capital)	Amount in Rs.
Cumulative and/or Redeemable Preference Share	-
Subordinated Term Debt	200,000,000
Hybrid Capital Instruments	-
Stock Premium	-
General Loan Loss Provision	614,211,221
Exchange Equalization Reserve	49,775,519
Investment Adjustment Reserve	18,000,000
Assets Revaluation Reserve	-
Other Reserves	-
<b>Supplementary Capital (Tier 2)</b>	<b>881,986,740</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.**

8.5% Citizens Bank Bond, 2077	Amount in 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)	300,000,000

The Bank has created debenture redemption reserve, and appropriated NPR 300 Million, i.e. 20% of face value, starting from Poush 2072/73. The current balance of Redemption Reserve stands at NPR 300 Million.

**d. Deduction from Capital**

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

NPR 16.53 Million Intangible Assets.

NPR 117.20 Million invested in equity capital of subsidiary company.

NPR 39.92 Million Purchase of land & building in excess of limit and unutilized

**e. Total Qualifying Capital**

Description	Amount in Rs.
Common Equity Tier 1 Capital (CET 1)	11,123,173,516
Tier 1 Capital	11,123,173,516
Tier 2 Capital	881,986,740
Total Capital Fund (Tier 1 and Tier 2)	12,005,160,256
Risk Weighted Exposures	79,695,386,766.22

**f. Capital Adequacy Ratio**

Description	Amount in Rs.
Leverage Ratio	10.82%
Common Equity Tier 1 Capital to Total Risk Weighted Exposures ratio	13.96%
Tier 1 Capital to Total Risk Weighted Exposures Ratio	13.96%
Total Capital to Total Risk Weighted Exposures Ratio	15.06%

**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	72,509,016,921
Risk Weighted Exposure for Operational Risk	4,114,633,406
Risk Weighted Exposure for Market Risk	250,266,416
Add: 2% of RWE as Supervisory Haircut	1,537,478,335
Add: 4% of Operational Risk as Supervisory Haircut	1,283,991,688
Total Risk Weighted Exposures (after bank's adjustments of Pillar II)	79,695,386,766

**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	1,514,374,802
Claims on Corporate And Securities Firms	32,293,427,598
Claims On Regulatory Retail Portfolio	8,283,061,257
Claims Secured By Residential Properties	2,092,280,391
Claims Secured By Commercial Real Estate	3,860,747,854
Past Due Claims	470,094,173
High Risk Claims	9,825,247,398
Other Assets	6,092,797,912
Off Balance Sheet Items	8,076,985,537
<b>Total Credit Risk Weighted Exposures</b>	<b>72,509,016,921</b>

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

Risk Weighted Exposures	Amount in Rs.
Credit Risk exposure	72,509,016,921
Operational Risk Exposure	4,114,633,406
Market Risk Exposure	250,266,416
<b>Adjustments under Pillar II</b>	
Add: 2% of RWE as Supervisory Haircut	1,537,478,335
Add: 4% of Operational Risk as Supervisory Haircut	1,283,991,688
<b>Total Risk Weightage Exposures</b>	<b>79,695,386,766</b>
Total Core Capital (CET1 +AT1)	11,123,173,516
Total Capital Fund (Tier 1 and Tier 2)	12,005,160,256
Common Equity Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	13.96%
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	13.96%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(AfterBank's adjustments of Pillar II)	15.06%

**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	103,846,352	24,706,346	79,140,006
Doubtful	16,755,392	7,748,343	9,007,049
Loss	622,401,045	622,401,045	-
<b>Total</b>	<b>743,002,790</b>	<b>654,855,734</b>	<b>88,147,055</b>

**k. Ratio of Non Performing Assets**

Particulars	Percentage
Total NPL to Total Loans & Advances	1.23%
Net NPL to Net Loans & Advances	0.15%

**l. Movement of Non Performing Assets**

Particulars	Previous Quarter	Current Quarter Rs	Amount in Rs.
			Change
Rescheduled / Restructured	-	-	-
Sub Standard	56,122,763	103,846,352	85.03%
Doubtful	28,891,191	16,755,392	-42.01%
Loss	665,721,038	622,401,045	-6.51%
<b>Total</b>	<b>750,734,992</b>	<b>743,002,790</b>	<b>-1.03%</b>

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

Particulars	Previous Quarter	Current Quarter Rs	Amount in Rs.
			Change
Loan written off	16,717,011		
Interest Suspense written off	137,837,027	3,469,363	-97.48%

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

Particulars	Previous Quarter	Current Quarter Rs	Amount in Rs.	
			Changes	Percentage
			Amount	
<b>Loan Loss Provision</b>	1,284,663,868	1,272,256,893	(12,406,975)	-0.97%
<b>Interest Suspense</b>	759,470,569	902,686,122	143,215,553	18.86%

**o. Details of Additional Loan Loss Provision**

Particulars	Previous Quarter	Current Quarter Rs	Amount in Rs.	
			Additional Provision in Current Year Rs	Change
Pass Loan	557,651,051	578,115,201	20,464,150	3.67%
Watchlist	34,638,371	39,285,958	4,647,587	13.42%
Rescheduled / Restructured	-	-	-	-
Sub Standard	13,520,864	24,706,346	11,185,482	82.73%
Doubtful	14,258,096	7,748,343	(6,509,753)	-45.66%
Loss	664,595,486	622,401,045	(42,194,441)	-6.35%
Additional	-	-	-	-
<b>Total</b>	<b>1,284,663,868</b>	<b>1,272,256,893</b>	<b>(12,406,975)</b>	<b>-0.97%</b>

**p. Segregation of Investments portfolio**

Particulars	Classification	Amount Rs
Investment in Equity Shares	Held For Trading	73,137,048
Investment in Equity Shares	Available For Sale	153,367,501
Investment in Treasury Bills	Held To Maturity	2,899,428,460
Investment in Government Bonds	Held To Maturity	3,366,075,000
Investment in NRB Special Account	Held To Maturity	-
Placements In banks	Held To Maturity	2,482,687,125
Other Investments	Available For Sale	596,737,480
<b>Total</b>		<b>9,571,432,614</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 8,033,236,401

**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 300 Million, i.e. 20% of face value, starting from Poush 2072/73. The current balance of Redemption Reserve stands at NPR 300 Million.