

**Disclosure as per Basel II  
For The Quarter Ended Ashwin 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	110,343,334
Deferred tax Reserve	27,367,881
<b>Deductions</b>	
Miscellaneous Expenditure not written off	(7,216,208)
<b>Core Capital (Tier 1)</b>	<b>2,856,842,824</b>

**b. Supplementary Capital and its components:**

Description	Amount Rs
Subordinated Term Debt	500,000,000
General Loan Loss Provision	243,863,242
Exchange Equilisation Reserve	3,120,720
Investment Adjustment Reserve	438,000
<b>Supplementary Capital (Tier 2)</b>	<b>747,421,961</b>

**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	500,000,000
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. 7,216,208 has been deducted from Capital.

**e. Total Qualifying Capital**

Description	Amount Rs
Core Capital (Tier 1)	2,856,842,824
Supplementary Capital (Tier 2)	747,421,961
<b>Total Capital Fund</b>	<b>3,604,264,786</b>

**f. Capital Adequacy Ratio**

Description	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	9.90%
Tier 2 Capital to Total Risk Weighted Exposures	2.59%

**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
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	26,065,646,355
Risk Weighted Exposure for Operational Risk	1,752,521,229
Risk Weighted Exposure for Market Risk	47,834,728
Adjustment Under Pillar- II	
Add: 1% of Net Interest Income as Supervisory Haircut	
Add: 2% of RWE as Supervisory Haircut	557,320,046
Add: 3% of Operational Risk as Supervisory Haircut	438,941,283
<b>Total Risk Weighted Exposures (after bank's adjustments of Pillar II)</b>	<b>28,862,263,642</b>

**b. Categories of Credit Risk Assets**

Risk Weighted Exposure	Amount Rs
Claims On Government and Central Bank	-
Claims On Other Official Entities	226,097,798
Claims On Banks	649,190,857
Claims on Corporate And Securities Firms	13,110,907,548
Claims On Regulatory Retail Portfolio	3,729,979,611
Claims Secured By Resedential Properties	772,838,761
Claims Secured By Commercial Real Estate	1,941,576,056
Past Due Claims	473,807,029
High Risk Claims	2,284,378,877
Other Assets	1,153,306,446
Off Balance Sheet Items	1,723,563,372
<b>Total Credit Risk Assets</b>	<b>26,065,646,355</b>

**c. Computation of Capital Adequacy Ratio**

Particulars	Amount Rs
Total Risk Weightage Assets	28,862,263,642
Total Core Capital	2,856,842,824
Total Capital Fund	3,604,264,786
Core Capital to Total Risk Weighted Exposures	9.90%
Total Capital Fund to Total Risk Weighted Exposures	12.49%

**d. Non Performing Assets**

Particulars	Amount Rs	Provision Rs	Net NPL Rs
Rescheduled / Restructured	-	-	-
Sub Standard	84,357,663	21,089,416	63,268,247
Doubtful	342,093,704	171,046,852	171,046,852
Loss	159,270,231	159,270,231	-
<b>Total</b>	<b>585,721,598</b>	<b>351,406,499</b>	<b>234,315,099</b>

**e. Ratio of Non Performing Assets**

Particulars	Percentage
Total NPL to Total Loans & Advances	2.35%
Net NPL to Net Loans & Advances	0.96%

**f. Change in Non Performing Assets**

Particulars	Previous Quarter Rs	Current Quarter Rs	Change
Rescheduled / Restructured	-	-	-
Sub Standard	44,632,306	84,357,663	89%
Doubtful	202,606,860	342,093,704	69%
Loss	208,285,944	159,270,231	-24%
<b>Total</b>	<b>455,525,110</b>	<b>585,721,598</b>	<b>29%</b>

**g. Written Off Loans & Advances**

Particulars	Previous Quarter Rs	Current Quarter Rs	Change
Loan written off	-	-	0%
Interest Suspense written off	32,761,268	48,911,736	49%

**h. Change in Possible Loss on Loans & Advances**

Particulars	Previous Quarter Rs	Current Quarter Rs	Additional Provision in Current Quarter Rs	Change
Pass Loan	22,384,746,047	243,863,242	(22,140,882,805)	-99%
Rescheduled / Restructured	-	-	-	
Sub Standard	178,529,225	21,089,416	(157,439,809)	-88%
Doubtful	402,096,153	171,046,852	(231,049,301)	-57%
Loss	208,285,944	159,270,231	(49,015,713)	-24%
Additional	-	-	-	
<b>Total</b>	<b>23,173,657,369</b>	<b>595,269,741</b>	<b>(22,578,387,628)</b>	<b>-97%</b>
<b>Interest Suspense</b>	<b>210,533,051</b>	<b>179,481,275</b>	<b>(31,051,776)</b>	<b>-15%</b>

**i. Investments.**

<b>Particulars</b>	<b>Classification</b>	<b>Amount Rs</b>
Investment in Equity Shares	Held For Trading	63,966,517
Investment in Treasury Bills	Held To Maturity	865,550,215
Investment in Government Bonds	Held To Maturity	1,525,075,000
Investment in NRB Special Account	Held To Maturity	900,000,000
Placements In banks	Held To Maturity	551,430,438
<b>Total</b>		<b>3,906,022,170</b>

**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 on 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.