

Citizens Bank International Ltd.
Disclosure as per Basel II
For 3rd Quarter of FY 2015-16 ending April 12, 2016

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 | 3,065,233,816.00 | |
| Irredeemable Non-cumulative preference shares | - | |
| Share Premium | 2,971,617.08 | |
| Proposed Bonus Equity Shares | - | |
| Statutory General Reserves | 479,801,547.39 | |
| Retained Earnings | 125,203,776.00 | |
| Un-audited current year cumulative profit/(loss) | 724,778,573.00 | |
| Capital Redemption Reserve | - | |
| Capital Adjustment Reserve | - | |
| Dividend Equalization Reserves | - | |
| Other Free Reserve | 27,367,880.73 | |
| Deductions | - | |
| Deffered Tax Assest | (59,934,561.16) | |
| Less: Investment in equity of institutions with financial interests | (82,000,000.00) | |
| Core Capital (Tier 1) | 4,283,422,649.04 | |

| b. Supplementary Capital and its components | | Amount in Rs. |
|--|-----------------------|----------------------|
| Supplementary Capital (Tier 2) | Amount in Rs. | |
| Cumulative and/or Redeemable Preference Share | - | |
| Subordinated Term Debt | 400,000,000.00 | |
| Hybrid Capital Instruments | - | |
| General Loan Loss Provision | 432,997,843.56 | |
| Exchange Equalization Reserve | 8,484,796.50 | |
| Investment Adjustment Reserve | 30,819,114.12 | |
| Assets Revaluation Reserve | - | |
| Other Reserves | - | |
| Supplementary Capital (Tier 2) | 872,301,754.18 | |

| c. Subordinated Term Debt | | Amount in Rs. |
|---|----------------------|----------------------|
| 8.5% Citizens Bank Bond, 2077 | Amount in Rs. | |
| Outstanding Amount | 500,000,000.00 | |
| Maturity Date | Poush 2077 | |
| Amount raised during the year | - | |
| Amount eligible for Tier 2 Capital Fund (net of redemption reserve) | 500,000,000.00 | |

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 59.93 Million Deferred Tax Assets.
 NPR 67.00 Million invested in equity capital of subsidiary company
 NPR 15.00 Million invested in equity with financial interests

| e. Total Qualifying Capital | | Amount in Rs. |
|------------------------------------|-------------------------|----------------------|
| Description | Amount in Rs. | |
| Core Capital (Tier 1) | 4,283,422,649.04 | |
| Supplementary Capital (Tier 2) | 872,301,754.18 | |
| Total Capital Fund | 5,155,724,403.22 | |

| f. Capital Adequacy Ratio | | Amount in Rs. |
|---|----------------------|----------------------|
| Description | Amount in Rs. | |
| Tier 1 Capital to Total Risk Weighted Exposures | 9.74% | |
| Tier 2 Capital to Total Risk Weighted Exposures | 11.72% | |

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 | 40,424,655,567.54 |
| Risk Weighted Exposure for Operational Risk | 2,187,987,453.00 |
| Risk Weighted Exposure for Market Risk | 38,085,364.45 |
| Add: 2% of RWE as Supervisory Haircut | 853,014,567.70 |
| Add: 3% of Operational Risk as Supervisory Haircut | 482,022,298.80 |
| Total Risk Weighted Exposures (after bank's adjustments of Pillar II) | 43,985,765,251.48 |

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 | 87,214.62 |
| Claims On Banks | 703,333,503.67 |
| Claims on Corporate And Securities Firms | 19,614,934,904.89 |
| Claims On Regulatory Retail Portfolio | 5,417,559,479.77 |
| Claims Secured By Resedential Properties | 1,065,825,938.65 |
| Claims Secured By Commercial Real Estate | 2,326,090,169.48 |
| Past Due Claims | 900,624,681.45 |
| High Risk Claims | 5,333,775,270.05 |
| Other Assets | 2,257,194,620.49 |
| Off Balance Sheet Items | 2,805,229,784.47 |
| Total Credit Risk Weighted Exposures | 40,424,655,567.54 |

i. Total Risk Weighted Exposure calculation table:

| Risk Weighted Exposures | Amount in Rs. |
|---|--------------------------|
| Credit Risk exposure | 40,424,655,567.54 |
| Operational Risk Exposure | 2,187,987,453.00 |
| Market Risk Exposure | 38,085,364.45 |
| Adjustements under Pillar II | |
| Add: 2% of RWE as Supervisory Haircut | 853,014,567.70 |
| Add: 3% of Operational Risk as Supervisory Haircut | 482,022,298.80 |
| Total Risk Weightage Exposures | 43,985,765,251.48 |
| Total Core Capital | 4,283,422,649.04 |
| Total Capital Fund | 5,155,724,403.22 |
| Core Capital to Total Risk Weighted Exposures | 9.74% |
| Total Capital Fund to Total Risk Weighted Exposures | 11.72% |

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 | 133,324,425 | 33,331,106 | 99,993,319 |
| Doubtful | 124,182,892 | 62,091,446 | 62,091,446 |
| Loss | 416,307,276 | 416,307,276 | - |
| Total | 673,814,593 | 511,729,828 | 162,084,765 |

k. Ratio of Non Performing Assets

| Particulars | Percentage |
|-------------------------------------|------------|
| Total NPL to Total Loans & Advances | 1.78% |
| Net NPL to Net Loans & Advances | 0.43% |

l. Movement of Non performing Assets

| Particulars | Previous Quarter Rs | Current Quarter Rs | Change |
|----------------------------|---------------------|--------------------|----------------|
| Rescheduled / Restructured | - | - | - |
| Sub Standard | 275,657,750 | 133,324,425 | -51.63% |
| Doubtful | 151,754,228 | 124,182,892 | -18.17% |
| Loss | 389,115,068 | 416,307,276 | 6.99% |
| Total | 816,527,046 | 673,814,593 | -17.48% |

m. Written of Loans & Advances

| Particulars | Previous Quarter Rs | Current Quarter Rs | Change |
|-------------------------------|---------------------|--------------------|---------|
| Loan written off | - | - | 0% |
| Interest Suspense written off | 2,367,844 | 1,473,573 | -37.77% |

n. Movements of Loan Loss Provision and Interest Suspense

| Particulars | Previous Quarter Rs | Current Quarter Rs | Amount In Full Figures | |
|----------------------------|---------------------|--------------------|------------------------|------------|
| | | | Amount | Percentage |
| Loan Loss Provision | 930,796,007.83 | 948,417,793.66 | 17,621,785.83 | 1.89% |
| Interest Suspense | 206,720,653.00 | 247,226,243.00 | 40,505,590.00 | 19.59% |

o. Details of Additional Loan Loss Provision

| Particulars | Previous Quarter Rs | Current Quarter Rs | Additional Provision in Current Quarter Rs | Change |
|----------------------------|---------------------|--------------------|--|--------------|
| Pass Loan | 292,655,243 | 345,698,792 | 53,043,549 | 18.12% |
| Watchlist | 104,234,145 | 90,989,174 | (13,244,971) | -12.71% |
| Rescheduled / Restructured | - | - | - | |
| Sub Standard | 68,914,437 | 33,331,106 | (35,583,331) | -51.63% |
| Doubtful | 75,877,114 | 62,091,446 | (13,785,668) | -18.17% |
| Loss | 389,115,068 | 416,307,276 | 27,192,207 | 6.99% |
| Additional | - | - | - | |
| Total | 930,796,008 | 948,417,794 | | 1.89% |

p. Investments

| Particulars | Classification | Amount Rs |
|-----------------------------------|------------------|----------------------|
| Investment in Equity Shares | Held For Trading | 141,264,812 |
| Investment in Treasury Bills | Held To Maturity | 1,723,749,249 |
| Investment in Government Bonds | Held To Maturity | 3,622,750,831 |
| Investment in NRB Special Account | Held To Maturity | 1,093,475,000 |
| Placements In banks | Held To Maturity | 956,576,162 |
| Other Investments | Held For Trading | 182,256,237 |
| Total | | 7,720,072,291 |

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 3,065,233,816 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.