

**Disclosure as per Basel II
For The Quarter Ended Ashad 2072**

Capital Structure and Capital Adequacy:

a. Core Capital and its components

Description	Amount Rs
Paid up Equity Share Capital	2,554,361,514
Statutory General Reserve	480,517,805
Retained Earning	645,542,407
Share Premium	2,971,617
Unaudited Current Year Cummulative Profit	-
Deferred tax Reserve	62,156,460
Deductions	
Miscellaneous Expenditure not written off	(466,074)
Investment in equity in institutions with financial interests	(15,000,000)
Core Capital (Tier 1)	3,730,083,729

b. Supplementary Capital and its components:

Description	Amount Rs
Subordinated Term Debt	500,000,000
General Loan Loss Provision	293,926,700
Exchange Equilisation Reserve	8,526,056
Investment Adjustment Reserve	16,276,000
Supplementary Capital (Tier 2)	818,728,756

c. Subordinated Term Debt

Description	Amount 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)	500,000,000

d. Deduction from Capital

Unamortized portion of Premium paid on Development Bond Rs. 4,583,472 has been deducted from Capital.

e. Total Qualifying Capital

Description	Amount Rs
Core Capital (Tier 1)	3,730,083,729
Supplementary Capital (Tier 2)	818,728,756
Total Capital Fund	4,548,812,484

f. Capital Adequacy Ratio

Description	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	11.03%
Tier 2 Capital to Total Risk Weighted Exposures	2.42%

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 2554361514 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	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

Brief About Risk Assets

a. Risk Weightage Assets

Risk Weightage Assets	Amount Rs
Risk Weighted Exposure for Credit Risk	30,930,805,303
Risk Weighted Exposure for Operational Risk	1,752,521,229
Risk Weighted Exposure for Market Risk	44,391,112
Adjustment Under Pillar- II	
Add: 1% of Net Interest Income as Supervisory Haircut	

Add: 2% of RWE as Supervisory Haircut	654,554,353
Add: 3% of Operational Risk as Supervisory Haircut	438,941,283
Total Risk Weighted Exposures (after bank's adjustments of Pillar II)	33,821,213,280

b. Categories of Credit Risk Assets

Risk Weighted Exposure	Amount Rs
Claims On Government and Central Bank	-
Claims On Other Official Entities	368,742,100
Claims On Banks	673,739,552
Claims on Corporate And Securities Firms	14,489,780,868
Claims On Regulatory Retail Portfolio	4,946,016,431
Claims Secured By Residential Properties	988,769,362
Claims Secured By Commercial Real Estate	1,936,959,019
Past Due Claims	410,466,786
High Risk Claims	2,817,257,846
Other Assets	1,568,024,563
Off Balance Sheet Items	2,731,048,776
Total Credit Risk Assets	30,930,805,303

c. Computation of Capital Adequacy Ratio

Particulars	Amount Rs
Total Risk Weightage Assets	33,821,213,280
Total Core Capital	3,730,083,729
Total Capital Fund	4,548,812,484
Core Capital to Total Risk Weighted Exposures	11.03%
Total Capital Fund to Total Risk Weighted Exposures	13.45%

d. Non Performing Assets

Particulars	Amount Rs	Provision Rs	Net NPL Rs
Rescheduled / Restructured	-	-	-
Sub Standard	57,398,821	14,349,705	43,049,115
Doubtful	53,313,272	26,656,636	26,656,636
Loss	336,853,293	336,853,293	-
Total	447,565,386	377,859,635	69,705,752

e. Ratio of Non Performing Assets

Particulars	Percentage
Total NPL to Total Loans & Advances	1.53%
Net NPL to Net Loans & Advances	0.24%

f. Change in Non Performing Assets

Particulars	Previous Quarter Rs	Current Quarter Rs	Change
Rescheduled / Restructured	-	-	-
Sub Standard	98,469,013	57,398,821	-41.71%
Doubtful	55,807,422	53,313,272	-4.47%
Loss	380,463,380	336,853,293	-11.46%
Total	534,739,814	447,565,386	-16.30%

g. Written Off Loans & Advances

Particulars	Previous Quarter Rs	Current Quarter Rs	Change
Loan written off	-	-	0%
Interest Suspense written off	24,331,334	29,714,740	22.13%

h. Change in Possible Loss on Loans & Advances

Particulars	Previous Quarter Rs	Current Quarter Rs	Additional Provision in Current Quarter Rs	Change
Pass Loan	260,213,369	278,517,798	18,304,430	7%
Watchlist	13,764,305	15,408,901	1,644,597	12%
Rescheduled / Restructured	-	-	-	-
Sub Standard	24,617,253	14,349,705	(10,267,548)	-42%
Doubtful	27,903,711	26,656,636	(1,247,075)	-4%
Loss	380,463,380	336,853,293	(43,610,086)	-11%
Additional	-	27,424,482	27,424,482	-
Total	706,962,017	699,210,816	(7,751,201)	-1.10%
Interest Suspense	166,481,336	182,960,474	16,479,138	10%

i. Investments.

Particulars	Classification	Amount Rs
Investment in Equity Shares	Held For Trading	84,470,780
Investment in Treasury Bills	Held To Maturity	1,064,182,050
Investment in Government Bonds	Held To Maturity	3,693,391,074
Investment in NRB Special Account	Held To Maturity	-
Placements In banks	Held To Maturity	729,307,074

Other Investments	Held For Trading	90,484,749
Total		5,661,835,728

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 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 mitigatants have minimum impact on the overall capital adequacy of the bank.