

**Disclosure as per Basel II  
For The Quarter Ended Chaitra 2070**

**Capital Structure and Capital Adequacy:**

**a. Core Capital and its components**

| Description                               | Amount Rs            |
|---|----------------------|
| Paid up Equity Share Capital              | 2,101,840,000        |
| Statutory General Reserve                 | 236,121,303          |
| Retained Earning                          | 2,649,788            |
| Share Premium                             | 2,971,617            |
| Unaudited Current Year Cummulative Profit | 304,056,134          |
| Deferred tax Reserve                      | 32,883,855           |
| <b>Deductions</b>                         |                      |
| Miscellaneous Expenditure not written off | (13,552,227)         |
| <b>Core Capital (Tier 1)</b>              | <b>2,666,970,470</b> |

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

| Description                           | Amount Rs          |
|---------------------------------------|--------------------|
| Subordinated Term Debt                | 500,000,000        |
| General Loan Loss Provision           | 199,150,933        |
| Exchange Equilisation Reserve         | 3,120,719          |
| Investment Adjustment Reserve         | 138,000            |
| <b>Supplementary Capital (Tier 2)</b> | <b>702,409,652</b> |

**c. Subordinated Term Debt**

The bank has issued Debenture of Rs. 500,000,000.

**d. Deduction from Capital**

Unamortized portion of Premium paid on Development Bond Rs. 13,552,227 has been deducted from Capital.

**e. Total Qualifying Capital**

| Description                    | Amount Rs            |
|--------------------------------|----------------------|
| Core Capital (Tier 1)          | 2,666,970,470        |
| Supplementary Capital (Tier 2) | 702,409,652          |
| <b>Total Capital Fund</b>      | <b>3,369,380,122</b> |

**f. Capital Adequacy Ratio**

| Description                                     | Percentage |
|---|------------|
| Tier 1 Capital to Total Risk Weighted Exposures | 10.27%     |
| Tier 2 Capital to Total Risk Weighted Exposures | 2.70%      |

**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 2,101,840,000 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.**

The main features of the Subordinated Term Debts are as follows:

| Bond Issued        | 8.5% Citizens Bank Bond 2077 |
|--------------------|------------------------------|
| Outstanding Amount | Rs. 500000000                |
| Interest Rate      | 8.50%                        |
| Maturity Date      | 2077                         |
| Interest Payment   | Quarterly                    |
| Tenor              | 7 years                      |

## Brief About Risk Assets

### a. Risk Weightage Assets

| <b>Risk Weightage Assets</b>   | <b>Amount Rs</b>      |
|--|-----------------------|
| Risk Weighted Exposure for Credit Risk                                       | 23,535,712,770        |
| Risk Weighted Exposure for Operational Risk                                  | 1,379,570,080         |
| Risk Weighted Exposure for Market Risk                                       | 168,361,204           |
| Adjustment Under Pillar- II  |                       |
| Add: 1% of Net Interest Income as Supervisory Haircut                        |                       |
| Add: 2% of RWE as Supervisory Haircut  | 501,672,881           |
| Add: 3% of Operational Risk as Supervisory Haircut                           | 391,828,890           |
| <b>Total Risk Weighted Exposures (after bank's adjustments of Pillar II)</b> | <b>25,977,145,824</b> |

### b. Categories of Credit Risk Assets

| <b>Risk Weighted Exposure</b>            | <b>Amount Rs</b>      |
|--|-----------------------|
| Claims On Government and Central Bank    | -                     |
| Claims On Other Official Entities        | 148,638,120           |
| Claims On Banks                          | 1,033,378,468         |
| Claims on Corporate And Securities Firms | 11,504,824,683        |
| Claims On Regulatory Retail Portfolio    | 3,007,750,643         |
| Claims Secured By Resedential Properties | 617,526,946           |
| Claims Secured By Commercial Real Estate | 2,175,901,233         |
| Past Due Claims                          | 348,513,429           |
| High Risk Claims                         | 1,690,775,823         |
| Other Assets                             | 1,169,407,697         |
| Off Balance Sheet Items                  | 1,838,995,727         |
| <b>Total Credit Risk Assets</b>          | <b>23,535,712,770</b> |

### c. Computation of Capital Adequacy Ratio

| <b>Particulars</b>                                  | <b>Amount Rs</b> |
|---|------------------|
| Total Risk Weightage Assets                         | 25,977,145,824   |
| Total Core Capital                                  | 2,666,970,470    |
| Total Capital Fund                                  | 3,369,380,122    |
| Core Capital to Total Risk Weighted Exposures       | 10.27%           |
| Total Capital Fund to Total Risk Weighted Exposures | 12.97%           |

### d. Non Performing Assets

| <b>Particulars</b>          | <b>Amount Rs</b>   | <b>Provision Rs</b> | <b>Net NPL Rs</b>  |
|-----------------------------|--------------------|---------------------|--------------------|
| Rescheduled / Resstructured | -                  | -                   | -                  |
| Sub Standard                | 190,780,958        | 47,695,239          | 143,085,718        |
| Doubtful                    | 130,127,759        | 65,063,880          | 65,063,880         |
| Loss                        | 200,202,448        | 200,202,448         | -                  |
| <b>Total</b>                | <b>521,111,165</b> | <b>312,961,567</b>  | <b>208,149,598</b> |

**e. Ratio of Non Performing Assets**

| Particulars                         | Percentage |
|-------------------------------------|------------|
| Total NPL to Total Loans & Advances | 2.39%      |
| Net NPL to Net Loans & Advances     | 0.98%      |

**f. Change in Non Performing Assets**

| Particulars                 | Previous Quarter Rs | Current Quarter Rs | Change    |
|-----------------------------|---------------------|--------------------|-----------|
| Rescheduled / Resstructured | -                   | -                  | -         |
| Sub Standard                | 107,107,825         | 190,780,958        | 78%       |
| Doubtful                    | 151,608,679         | 130,127,759        | -14%      |
| Loss                        | 243,502,161         | 200,202,448        | -18%      |
| <b>Total</b>                | <b>502,218,665</b>  | <b>521,111,165</b> | <b>4%</b> |

**g. Written Off Loans & Advances**

| Particulars                   | Previous Quarter Rs | Current Quarter Rs | Change |
|-------------------------------|---------------------|--------------------|--------|
| Loan written off              | -                   | -                  | 0%     |
| Interest Suspense written off | -                   | -                  | 0%     |

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

| Particulars                 | Previous Quarter Rs | Current Quarter Rs | Additional Provision in Current Quarter Rs | Change      |
|-----------------------------|---------------------|--------------------|--|-------------|
| Rescheduled / Resstructured | -                   | -                  | -  | 0%          |
| Sub Standard                | 26,776,956          | 47,695,239         | 20,918,283                                 | 78%         |
| Doubtful                    | 75,804,339          | 65,063,880         | (10,740,460)                               | -14%        |
| Loss                        | 243,502,161         | 200,202,448        | (43,299,713)                               | -18%        |
| Additional                  | -                   | -                  | -  | 0%          |
| <b>Total</b>                | <b>346,083,457</b>  | <b>312,961,567</b> | <b>(33,121,890)</b>                        | <b>-10%</b> |
| <b>Interest Suspense</b>    | <b>234,979,500</b>  | <b>212,576,926</b> | <b>(22,402,574)</b>                        | <b>-10%</b> |

**i. Additional Loan Loss Provision**

| Particulars         | Previous Quarter Rs | Current Quarter Rs | Change |
|---------------------|---------------------|--------------------|--------|
| Loan Loss Provision | 545,234,391         | 525,455,273        | -4%    |

**j. Investments.**

| Particulars                    | Classification   | Amount Rs            |
|--------------------------------|------------------|----------------------|
| Investment in Equity Shares    | Held For Trading | 25,600,000           |
| Investment in Treasury Bills   | Held To Maturity | 194,975,040          |
| Investment in Government Bonds | Held To Maturity | 1,525,075,000        |
| Placements In banks            | Held To Maturity | 941,855,635          |
| Investment in Bonds            | Held To Maturity | 9,401,000            |
| <b>Total</b>                   |                  | <b>2,696,906,675</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 mitigatants have minimum impact on the overall capital adequacy of the bank.