

**Disclosure as per Basel II  
For The Quarter Ended Ashad 2071**

**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	348,375,007
Retained Earning	450,231,553
Share Premium	2,971,617
Unaudited Current Year Cumulative Profit	-
Deferred tax Reserve	34,016,905
<b>Deductions</b>	
Miscellaneous Expenditure not written off	(10,771,585)
<b>Core Capital (Tier 1)</b>	<b>2,926,663,498</b>

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

Description	Amount Rs
Subordinated Term Debt	500,000,000
General Loan Loss Provision	227,730,535
Exchange Equilisation Reserve	3,120,719
Investment Adjustment Reserve	138,000
<b>Supplementary Capital (Tier 2)</b>	<b>730,989,254</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. 9,967,270 has been deducted from Capital.

**e. Total Qualifying Capital**

Description	Amount Rs
Core Capital (Tier 1)	2,926,663,498
Supplementary Capital (Tier 2)	730,989,254
<b>Total Capital Fund</b>	<b>3,657,652,752</b>

**f. Capital Adequacy Ratio**

Description	Percentage
Tier 1 Capital to Total Risk Weighted Exposures	10.92%
Tier 2 Capital to Total Risk Weighted Exposures	2.73%

**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.**

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	24,435,024,352
Risk Weighted Exposure for Operational Risk	1,379,570,080
Risk Weighted Exposure for Market Risk	84,601,600
Adjustment Under Pillar- II	
Add: 1% of Net Interest Income as Supervisory Haircut	
Add: 2% of RWE as Supervisory Haircut	517,983,921
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>26,809,008,842</b>

**b. Categories of Credit Risk Assets**

Risk Weighted Exposure	Amount Rs
Claims On Government and Central Bank	-
Claims On Other Official Entities	333,365,458
Claims On Banks	782,097,321
Claims on Corporate And Securities Firms	11,543,859,454
Claims On Regulatory Retail Portfolio	3,532,493,509
Claims Secured By Resedential Properties	715,558,080
Claims Secured By Commercial Real Estate	1,940,609,445
Past Due Claims	484,911,866
High Risk Claims	2,321,264,657
Other Assets	997,737,733
Off Balance Sheet Items	1,783,126,828
<b>Total Credit Risk Assets</b>	<b>24,435,024,352</b>

**c. Computation of Capital Adequacy Ratio**

Particulars	Amount Rs
Total Risk Weightage Assets	26,809,008,842
Total Core Capital	2,926,663,498
Total Capital Fund	3,657,652,752
Core Capital to Total Risk Weighted Exposures	10.92%
Total Capital Fund to Total Risk Weighted Exposures	13.64%

**d. Non Performing Assets**

Particulars	Amount Rs	Provision Rs	Net NPL Rs
Rescheduled / Resstructured	-	-	-
Sub Standard	178,529,225	44,632,306	133,896,919
Doubtful	169,667,072	84,833,536	84,833,536
Loss	208,285,944	208,285,944	-
<b>Total</b>	<b>556,482,242</b>	<b>337,751,787</b>	<b>218,730,455</b>

**e. Ratio of Non Performing Assets**

Particulars	Percentage
Total NPL to Total Loans & Advances	2.40%
Net NPL to Net Loans & Advances	0.97%

**f. Change in Non Performing Assets**

Particulars	Previous Quarter Rs	Current Quarter Rs	Change
Rescheduled / Resstructured	-	-	-
Sub Standard	190,780,958	178,529,225	-6%
Doubtful	130,127,759	169,667,072	30%
Loss	200,202,448	208,285,944	4%
<b>Total</b>	<b>521,111,165</b>	<b>556,482,242</b>	<b>7%</b>

**g. Written Off Loans & Advances**

Particulars	Previous Quarter Rs	Current Quarter Rs	Change
Loan written off	-	-	0%
Interest Suspense written off	-	32,761,000	100%

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

Particulars	Previous Quarter Rs	Current Quarter Rs	Additional Provision in Current Quarter Rs	Change
Pass Loan	212,493,706	227,730,535	15,236,829	7%
Rescheduled / Resstructured	-	-	-	-
Sub Standard	47,695,239	44,632,306	(3,062,933)	-6%
Doubtful	65,063,880	84,833,536	19,769,657	30%
Loss	200,202,448	208,285,944	8,083,496	4%
Additional	-	-	-	-
<b>Total</b>	<b>525,455,273</b>	<b>565,482,321</b>	<b>40,027,048</b>	<b>8%</b>
<b>Interest Suspense</b>	<b>212,576,926</b>	<b>210,533,051</b>	<b>(2,043,875)</b>	<b>-1%</b>

**i. Investments.**

<b>Particulars</b>	<b>Classification</b>	<b>Amount Rs</b>
Investment in Equity Shares	Held For Trading	25,600,000
Investment in Treasury Bills	Held To Maturity	591,954,059
Investment in Government Bonds	Held To Maturity	1,525,075,000
Placements In banks	Held To Maturity	567,784,584
<b>Total</b>		<b>2,710,413,643</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.