Citizen Investment Trust: [ICRANP-IR] A+ assigned

February 05, 2026

Summary of rating action

Facility	Rated Amount (NPR Million)	Rating Action
Issuer Rating	NA	[ICRANP-IR] A+; assigned

Rating action

ICRA Nepal has assigned the issuer rating of [ICRANP-IR] A+ (pronounced ICRA NP issuer rating A plus) to Citizen Investment Trust (CIT or the entity). Issuers with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such issuers carry low credit risk. The rating is only an opinion on the general creditworthiness of the rated entity and not specific to any debt instrument.

Rationale

The assigned rating factors in CIT's long track record of operations and its strong ownership profile, with direct/indirect equity stake of ~65% by the Government of Nepal (GoN) and ~15% stake by private sector banks and insurance companies. This results in an experienced board profile, through representatives of the promoter institutions, in addition to the entity's seasoned management team. The rating takes comfort from CIT's diversified revenue stream as fund manager (for retirement funds and Nepal's first open-ended mutual fund scheme) as well as merchant banker. Despite the increased competition, CIT's retirement schemes continue to report fair growth in its overall assets under management (AUM), which underpins the entity's traction in the industry, and augurs well for its incremental fee-based income prospects. Further, tax benefits for contributories to CIT were increased to NPR 500,000 from FY2025 onwards (from previous NPR 300,000), at par with other retirement fund operators, which remains positive in terms of AUM growth. The entity's investment policy remains conservative with higher concentration of its investments in fixed deposits (FDs) and debentures, apart from loans to Government sector entities (often against the sovereign guarantees) and contributories (mostly against their savings).

Nonetheless, the rating remains constrained by the competitive landscape among the three public sector retirement fund operators. CIT has been able to post fair growth in its AUM so far, despite being largely a voluntary retirement fund operator. However, the impact of the increasing coverage of mandatory contribution modality-based Social Security Fund (SSF), in addition to the competition from the established Employees Provident Fund (EPF), remains to be seen further. Its concentrated consolidated investments in FDs (~56% as of mid-July 2025, mostly with tenure within 1 year, adding up to interest rate volatility risks) and low-interest rate scenario in the industry has affected its return indicators, and would further supress the relatively lower returns for its contributories and impact its attractiveness. Additionally, the rating remains constrained by the entity's sizeable FD investments (on a consolidated basis, with all operating schemes) in high-risk category institutions[1] (~5% of the total AUM and ~121% of the consolidated net worth (CIT and Nagarik Stock Dealer)). This, along with large investment in its subsidiary market maker viz. Nagarik Stock Dealer Company Limited (NSDCL) with ~73% shareholding (no dividend receipts so far), has diluted CIT's returns in the recent years, albeit with revenue diversification prospect over the longer term, with NSDCL venturing into capital market investment/trading activities (however, will add up to market risks). Going forward, CIT's ability in continuing the growth in its AUM, while generating adequate returns for its contributories, would remain the key rating sensitivities.

[1] *Entities rated at BB+ and below.*

Key rating drivers

Credit strengths

Strong promoter profile, experienced board of directors/management team – Government of Nepal (GoN) has a direct stake of ~23.3% in CIT, while ~41.6% stake is held by government promoted entities. Additionally, other promoters are institutional investors, comprising private sector commercial banks and insurance companies. The resultant mix in the board of directors comprises experienced individuals, which, along with its stable/experienced senior management team, remain the rating positives.

Long operational track record and good growth trend in major schemes – CIT has been in operation since 1992. It has grown at a satisfactory pace, despite competition from two other retirement fund operators. As of now, CIT manages 12 different schemes, four of which are related to recurring retirement fund contribution (from public and private sector employees) accounting for ~94% of its AUM as of mid-July 2025. These schemes' (viz. Employees Saving Growth Retirement Scheme (ESGRS), Gratuity and Pension Fund Scheme, Investors' Retirement Fund Scheme and Pension Scheme) AUM have reported a CAGR of ~11% during last four years ending mid-July 2025 (albeit with moderated growth of ~9% in FY2025). The growth trend across major schemes has been supported by the tax deductions against the retirement fund contribution. However, the entity's open-ended scheme viz. Citizen Unit Scheme has reported modest CAGR of ~2% during the same period, amid the launch of different mutual fund schemes by other asset management companies (AMCs) in the interim. Apart from the four major schemes, CIT maintains the balance for seven insurance fund schemes[2] (discontinued after FY2019), which has similar account features as other retirement schemes under CIT.

Stable business model under AMC modality – The entity derives majority of its income in the form of management fees from various schemes being managed by it. The total fee-based income comprised ~59% of the total income in FY2025, followed by realised/unrealised gain on investments with ~17% share. The fee income emanates as a fixed percentage of the AUM or gross income of various schemes and hence offers revenue visibility, given the fair growth in the schemes' sizes. To that end, the existing large base of contributors provides some comfort on the revenue stability for CIT. The fee incomes from ESGRS and 'Gratuity and Pension Fund Scheme' accounted for ~60% and ~28% of the total fee-based income, respectively, for FY2025. Further, new mutual fund schemes are in pipeline, which could add to the revenue diversification, in addition to the income from merchant banking (despite having low share in total income for now).

Conservative investment policies – CIT mostly invests in FDs across commercial banks, which comprised ~56% of the consolidated (with all schemes) investment book as of mid-July 2025. This was followed distantly by loans to contributories at ~21%, which are backed by their own deposits/retirement contributions. Term loans to Government entities have been increasing (in absolute value) in the recent years at ~9% of the consolidated portfolio as of mid-July 2025. However, this portfolio is concentrated towards couple of financially weak entities, with no regular repayments, thus increasing in absolute value due to interest capitalisations. Nonetheless, exposure with Nepal Airlines Corporation is backed by the sovereign guarantee, which partly offsets these concerns. Investment in debentures have been increasing gradually (in absolute value) over the years, which provide some support to the long-term investment yields, given the fact that majority of FDs are for tenure within 1 year. Moreover, the floating interest rate offered to the scheme contributories insulates CIT against interest rate risk arising from volatility in its investment yields (like in the current scenario).

[2] *These schemes are carry forward balances from the past, when CIT used to collect and maintain the insurance premium from different public sector employees on behalf of state owned Rastriya Jeewan Beema Company Limited (Erstwhile Rastriya Beema Sansthan) (Life Insurance Company). CIT does not accept fresh contribution under these accounts anymore and is only paying out the contributories as retirement payments as and when they retire from their respective employment.*

Credit challenges

Intense competition – The GoN has three undertakings in the retirement fund management sector viz, EPF, CIT and SSF, all of which have been established under specific statutes. While EPF, with a much longer track record and stronger reserves, is capable of offering slightly better rates to contributories, SSF offers multiple other social security benefits. Further, both of the competitors accept mandatory retirement contributions, while CIT accepts both mandatory as well as voluntary contributions. These factors could curb CIT's fund collection avenues to an extent. However, increased tax benefits (up to NPR 500,000 from FY2025 onwards against NPR 300,000 previously for CIT and EPF but NPR 500,000 for SSF's contributories since its inception in FY2019) could provide support in terms of AUM growth.

Return indicators likely to dilute over the near term – CIT's return indicators, albeit adequate so far, have shown a declining trend in the recent years on account of decreased interest rate on FDs amid excess liquidity scenario in banking. The return on assets (RoA) and return on net worth (RoNW) of CIT's consolidated account (Central account and NSDCL) stood at 6.94% and ~15% for FY2025. The yield on investment for central account (as well as major schemes) has witnessed a reduction, in line with the drop-in weighted average interest rate[3] on fixed deposit of banking industry for FY2024 and FY2025 at 8.15% and 5.79% respectively. This is expected to dilute further, amid further decrease on average FD rates (5.32% for 5M FY2026) and higher chuck of consolidated investments in FDs (~56% as of mid-July 2025, mostly within 1 year). Additionally, considerable amount of the entity's FD investments (on a consolidated basis with all the operating schemes) was in high-risk category institutions (~5% of total AUM and ~121% of the consolidated net worth of CIT and Nagarik Stock Dealer), which remains a major area of concern. Hence, CIT's ability to further diversify the investment portfolio, while minimising the investment risk and generate adequate return will remain monitorable.

Growing exposure to market risk – At present, CIT's investment in equity instruments (subject to market risks) remains nominal (~2% of AUM as of mid-July 2025). However, CIT's growing investment in equity market through its subsidiary stock dealer (NSDCL) could expose its future return and the overall profitability to market risks. NSDCL has been in operation since 2020, whose profitability has been impacted by the downturn in secondary market post all-time high in 2021 (minimal positive reserves position due to sizeable fair value loss portion) and has not been able to distribute any dividend so far. CIT's ability to manage such market risks also remains monitorable.

Analytical approach: For arriving at the rating, ICRA Nepal has applied its rating methodology as indicated below.

Link to the applicable criteria:
Issuer Rating Methodology

About the entity

Citizen Investment Trust (CIT) is a statutory institute, established following the promulgation of Citizen Investment Trust Act, 1991. The Act empowers CIT to operate as a trustee of the public's voluntary savings through various schemes, in addition to the operations as a merchant banker. CIT started its operations from 1992. At present, it operates three different savings and retirement fund management schemes (open both to public and private sector employees), one pension fund scheme (open to all Nepali nationals), one open-ended unit scheme (open to all institutions and individuals) and seven insurance fund schemes (for public sector employees from various categories). CIT operates under an asset management company model, wherein it charges specified fees to the various schemes, which it has been managing.

Majority stake in CIT is held directly or indirectly by the Government of Nepal, with ~23% direct shareholding and rest ~42% through Government entities[4]. The ~15% promoter stake is held by private sector banks and insurance companies, while 20% is publicly held. Its shares are listed in the Nepal Stock Exchange, and it is one of the largest entities in terms of market

[3] *Source for Weighted average interest rate: **NRB monthly report***
[4] *Government entities include Rastriya Jeewan Beema Company Limited and Nepal Stock Exchange Limited.*

capitalisation. The registered and corporate office is at New Baneshwor, Kathmandu, along with six branch offices, each in Pokhara, Butwal, Attariya, Biratnagar, Surkhet and Janakpur. In the technology front, CIT is using a customised integrated web-based software.

Key financial indicators

	FY2021 Audited	FY2022 Audited	FY2023 Audited	FY2024 Audited	FY2025 Audited
Consolidated					
Assets under management (all schemes) (AUM; NPR Million)	208,906	220,299	251,097	286,159	299,367
Yield on average earning assets (Central account and all schemes)	7.42%	7.72%	9.35%	8.71%	6.04%
Consolidated (Central account and Nagarik Stock Dealer Company Limited)					
Fee-based income (NPR million)	1,140	1,231	1,390	1,606	1,940
Other incomes (NPR million)	659	(296)	780	660	929
Operating expenses (NPR million)	366	392	480	559	606
Profit after tax (PAT; NPR million)	961	232	1,078	1,519	1,620
Asset base (NPR million)	20,696	22,244	24,630	25,265	21,394
Net worth (NPR million)	7,771	7,674	8,672	10,193	11,551
Fee-based income as a % of average total assets (ATA)	7.06%	5.73%	5.93%	6.44%	8.32%*
Interest Income as a % ATA	2.35%	2.21%	2.51%	2.17%	1.66%
Operating expenses as a % of ATA	2.27%	1.83%	2.05%	2.24%	2.60%
PAT/ATA	5.95%	1.08%	4.60%	6.09%	6.94%*
PAT/net-worth	16.07%	3.00%	13.19%	16.11%	14.90%

** Improvement herein was mainly due to the decline in average total assets (ATA) with reconciliation of unadjusted interfund balance.*

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About ICRA Nepal Limited

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