

**CENTURY COMMERCIAL BANK LIMITED**  
**Disclosure as per BASEL II (Capital Adequacy Framework)**  
**(For Year ending on 31 Ashad, 2071)**

**1. CAPITAL STRUCTURE AND CAPITAL ADEQUACY**

**Tier 1 capital and a breakdown of its components:**

<b>Particulars</b>	<b>NPR</b>
Paid Up Capital	2,000,000,000
Statutory General Reserves	15,107,473
Retained Earnings	56,151,301
Un-audited current year cumulative profit	139,506,602
Other Free Reserve	66,528,737
<b>Core Capital</b>	<b>2,277,294,113</b>

**Tier 2 capital and a breakdown of its components:**

<b>Particulars</b>	<b>NPR</b>
General Loan Loss Provision	149,686,395
Exchange Equalization Reserves	887,372
<b>Supplementary Capital</b>	<b>150,573,767</b>

**Detail of Subordinated Term Debts:**

There is no Subordinated Term Debts as of Year Ended Ashad End, 2071.

**Deductions from capital:**

There is no item to be deducted from capital.

**Total qualifying capital;**

<b>Particulars</b>	<b>NPR</b>
Core Capital	2,277,294,113
Supplementary Capital	150,573,767
<b>Total Qualifying Capital (Total Capital Fund)</b>	<b>2,427,867,880</b>

**Capital Adequacy Ratio;**

<b>Particulars</b>	<b>Percentage of Total RWE</b>
Capital Adequacy Ratio – Core Capital	13.84%
Capital Adequacy Ratio – Total Capital Fund	14.76%

**2. RISK EXPOSURE**

**Risk weighted exposures for Credit Risk, Market Risk and Operational Risk:**

<b>Particulars</b>	<b>Amount in NPR</b>
Risk weighted exposures for Credit Risk	15,336,523,000
Risk weighted exposures for Operational Risk	319,030,000
Risk weighted exposures for Market Risk	108,740,000
<b>Total</b>	<b>15,764,293,000</b>

**Risk Weighted Exposures under each of 11 categories of Credit Risk:**

S.N.	Claims Categories	Risk Weighted Amount
1	Claims on govt. and central Bank	-
2	Claims on other official entities	150,000,000
3	Claims on Banks	346,041,000
4	Claims on corporate and securities firm	8,589,204,000
5	Claims on regulatory retail portfolio	2,040,377,000
6	Claim secured by residential properties	769,955,000
7	Claims secured by commercial real state	168,573,000
8	Past due Claims	-
9	High risk claims	519,312,000
10	Other Assets	826,276,000
11	Off Balance sheet Items	1,926,785,000
	<b>Total</b>	<b>15,336,523,000</b>

**Total Risk Weighted Exposure calculation table;**

Particulars	Amount in NPR
Risk weighted exposures for Credit Risk	15,336,523,000
Risk weighted exposures for Operational Risk	319,030,000
Risk weighted exposures for Market Risk	108,740,000
Add : 3% of Total RWE due insufficient risk management system (as prescribed by NRB)	472,929,000
Add : 5% of Gross Income for Operational Risk (as prescribed by NRB)	215,520,000
<b>Total Risk Weighted Exposure</b>	<b>16,452,742,000</b>
<b>Total Capital Fund</b>	<b>2,427,867,880</b>
<b>Total Capital to Total Risk Weighted Exposures</b>	<b>14.76%</b>

**Amount of Non-Performing Assets (NPAs) [both Gross and Net]:**

<input type="checkbox"/> Restructure Loan/Reschedule Loan	Nil
<input type="checkbox"/> Substandard Loan	
* Gross	647,159
* Net	485,369
<input type="checkbox"/> Doubtful Loan	
* Gross	11,044,551
* Net	5,522,275
<input type="checkbox"/> Bad Loss Loan	
* Gross	65,081,111
* Net	9,285,309
<input type="checkbox"/> <b>Non-Performing Assets (NPAs) ratios</b>	
<input type="checkbox"/> Gross NPA to Gross Advances	0.51%
<input type="checkbox"/> Net NPA to Net Advances	0.10%

□ **Movement of Non-Performing Assets**

<b>NPA Categories</b>	<b>Previous Year</b>	<b>This Year</b>	<b>Increase/ (Decrease)</b>
Sub-Standard	14,399,000	647,159	(13,751,841)
Doubtful	25,519,128	11,044,551	(14,474,577)
Bad	4,835,500	65,081,111	60,245,611

□ **Write off of Loans and Interest Suspense** Nil

□ **Movements in LLP and Interest Suspense:**

<b>Description</b>	<b>Last Year</b>	<b>This Year</b>	<b>Increase/ (Decrease)</b>
Loan Loss Provision	111,915,981	211,166,263	99,250,282
Interest Suspense	11,850,654	11,217,322	(633,332)

The Gross NPA Ratio of the bank is 0.51% which was 0.49% in the corresponding period of previous year. Provision for loan loss has been made as per the NRB Directives. The Loan Loss Provision to Total NPA loan is 273.88%. Similarly interest suspense includes interest income accrued & due but not realized in cash and interest income accrued but not due on the credit exposures.

□ **Details of additional Loan Loss Provisions:**

Loan loss provision on Pass as well as Classified loans and advances has been made as per the NRB directive 2/070. No any additional provision for loan loss has been made.

□ **Segregation of Investment Portfolio into held for trading, Held to maturity and available for sale Category:**

<b>Investment Portfolio</b>	<b>Net Amount (NPR)</b>
Held For Trading	-
Held To Maturity	629,580,000
Available For Sale	921,000
<b>Total</b>	<b>630,501,000</b>

### **3. RISK MANAGEMENT STRATEGIES AND FUNCTION**

Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities, if applicable:

Bank management is responsible for understanding the nature and level of risk taken by the bank and relating the risk to the capital adequacy level. The Risk Management Committee, consisting non-executive directors & Chief Executive Officer, reviews the Credit Risk, analyses the trend, assesses the exposure impact on capital and provides a view to the Credit Sub-Committee and Board of Directors (BOD). The bank's BOD had developed the Credit Policy Guidelines to strengthen of Bank's exposure in credit. All Retail and Small Medium Enterprises credits are provided under the Bank's separate 'Product Paper' for each type of such credit. An independent Credit Risk Department analyse the all kind of credit proposal from the view point of risk and recommend independently to the approval authority in regard to proposed funded or non-funded credit exposure.

In respect of operational risk 'Standard Operation Manual' has been implemented. A separate 'Operational Risk Department' has been introduced to analyse, review and control regarding the operational lapses timely and make them strengthen on the mean time. All the section & sub-section of operation side have been operating under the specialized manual passed by Bank's Management and BOD as the case may be. Besides, the core banking system has been tested periodically against the recovery and detection of fraud in case of casualty, and problem register is maintain to solve the lapses in the system. The bank adopted centralized operation system all over the branches of bank. The transaction and system of Bank's branches has been reviewing from the Head Office directly. Finance & Strategic Planning checks the capital charge on operational risk regularly.

With regard to market risk, In order to effectively manage the market risk the bank has set up the two tiered treasury department structure viz:

- a) Treasury Front Office
- b) Back office.

Treasury front office is entrusted with the functions of market watch, research (both fundamental and technical) and analyse the market position of Bank. Front office takes decisions as regards to investments and trading as per approved Policy/Guidelines and within the perimeters of NRB regulations.

Treasury back office is entrusted with the function of settlement and delivery of all the deals which are executed by front office dealers as per the approved policies/regulations. The net open position report is also discussed at the Assets Liabilities Management Committee (ALCO) each week to ensure the bank's better position.

Periodical internal audit function has been conducting from the outsourced chartered accountants firm to timely detect all type of lapses and deviation from standard policy of banks. The Internal Audit Function is directly responsible to Audit Committee consisting of non-executive Directors. The quarterly reports of Internal Audit for the year has been discussed in Audit Committee and directs to Bank's Management/BOD to resolve the comments raised by Auditors strictly.