Disclosure Under BASEL II (4th Quarter ended 15/07/2009)

Capital Structure:

The following is the **Tier 1 capital** and breakdown of its components:

S.No	Particulars	Amount ('000)
1.1	Paid up Equity Share Capital	1,399,558
1.2	Proposed Bonus Equity Shares	-
1.3	Statutory General Reserves	130,232
1.4	Retained Earnings	(871,039)
1.5	Un-audited current year cumulative profit	410,621
1.6	Deduction from Capital	(191,699)
	Core Capital (Tier I)	**877,673**

The following is the **Tier 2 capital** and breakdown of its components:

S.No	Particulars	Amount ('000)
2.1	Subordinated Term Debt	-
2.2	General loan loss provision	113,432
2.3	Exchange Equalization Reserve	886
2.4	Other Reserves	-
	Supplementary Capital (Tier II)	**114,318**

Subordinated Term Debt:

The Bank has not issued any Subordinated Term Debt instrument.

Deductions from Capital:

Investments in other financial institutions licensed by Nepal Rastra Bank, and promoters ôfinancially interested companies

S.No	Particular	Amount ('000)
2.1	Ordinary Shares of Nepal Srilanka Merchant Bank (1,000 units)	78
2.2	Ordinary Shares of NB Insurance Co. (146,000 units)	14,600
2.3	Loan to Harishidhi Bricks & Tile Factory	100
2.4	Loan to National Hydro Power Company	176,922
	Total	**191,699**

Total Qualifying Assets

S.No	Particular	Amount ('000)
1	Core Capital (Tier I)	877,673
2	Supplementary Capital (Tier II)	114,318
	Total Capital Fund (Tier I and Tier II)	**991,991**

Risk weighted exposure under each of 11 categories of Credit Risk

S.No	Particular	Amount ('000)
1	Claims on government & central bank	-
2	Claims on other official entities	155,813
3	Claims on banks	260,643
4	Claims on corporate & securities firms	2,929,133
5	Claims on regulatory retail portfolio	632,472
6	Claims secured by residential properties	329,703
7	Claims secured by commercial real state	1,034,076
8	Past due claims	478,437
9	High risk claims	1,144,863
10	Other assets	421,363
11	Off balance sheet items	935,518
	Total	**8,322,021**

Risk weighted Exposures:

S.No	Particular	Amount ('000)
1	Risk Weighted Exposure for Credit Risk	8,322,021
2	Risk Weighted Exposure for Operational Risk	696,399
3	Risk Weighted Exposure for Market Risk	56,132
	Total Risk Weighted Exposures	**9,074,552**

Risk Weighted Exposure Calculation Table:

S.No	Particular	Amount ('000)
1	Total Risk Weighted Exposures	9,074,552
2	Total Core Capital (Tier I)	877,673
3	Total Capital Fund (Tier I + Tier II)	991,991
4	Total Core Capital to Total Risk Weighted Exposures	9.67%
5	Total Capital Fund to Total Risk Weighted Exposures	10.93%

Amount of Non -Performing Assets (Gross and Net):

Amount '000

SN	Category	Gross	Provision	Net
1	Substandard	12,319	3,096	9,223
2	Doubtful	12,239	6,120	6,120
3	Loss	172,510	170,925	1,585
	TOTAL	**197,069**	**180,141**	**16,928**

NPA Ratio:

SN	NPA Ratios	Percentage
1	Gross NPA to Gross Advances	2.74%
2	Net NPA to Net Advances	0.25%

Movement of NPA:

Amount '000

SN	Particulars	Opening Balance	Closing Balance	Increase / (Decrease)
1	Substandard	14,891	12,319	(2,572)
2	Doubtful	19,297	12,239	(7,058)
3	Loss	579,529	172,510	(407,019)
	TOTAL	**613,717**	**197,069**	**(416,648)**

Write Off of Loans and Interest Suspense:

SN	Particular	Amount ('000)
1	Loans Written Off	67,610
2	Interest written Off	122,797
	TOTAL	**190,408**

Movement in Loan Loss Provision and Interest Suspense:

Amount '000

SN	Particular	Opening Balance	Closing Balance	Increase / (Decrease)
1	Loan Loss Provision	722,806	325,387	(397,419)
2	Interest Suspense	560,635	218,489	(342,146)

Seggregation of Investment Portfolio

SN	Particular	Amount ('000)
1	Held for trading	-
2	Held to maturity	166,618
3	Available for Sale	236,251
	TOTAL	**402,869**

Types of Eligible Credit Risk Mitigants used:

SN	Particular	Amount ('000)
1	Deposit with Own Bank	238,667
2	Deposit with other Banks / Financial Institutions	2,034
3	Gold	78,929
4	Securities of Government and NRB	684
5	Securities/ Guarantee of Foreign Bank	23,561
	TOTAL	**343,874**