

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 of financially 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):

| SN | Category | Gross | Provision | Amount '000 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:

| SN | Particulars | Opening Balance | Closing Balance | Amount '000 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:

| SN | Particular | Opening Balance | Closing Balance | Amount '000 Increase / (Decrease) |
|----|---------------------|-----------------|-----------------|--|
| 1 | Loan Loss Provision | 722,806 | 325,387 | (397,419) |
| 2 | Interest Suspense | 560,635 | 218,489 | (342,146) |

Segregation 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 |