

Disclosure under Part 18
Markingschiffen Bank Limited
 As at 3rd Quarter End 31st June 2007

1. Capital Structure and Capital Adequacy

Tier 1 capital and a breakdown of its components		NBS in Millions
Particulars		
A Paid up Equity Share Capital		15,600.00
B Reserves		3,400.00
C Statutory Reserve Funds		3,000.00
D Statutory Reserve Reserve		3,000.00
E Cash and cash equivalents		475.00
F Capital Reserve Reserve		100.00
G Capital Adequacy Reserve		1,000.00
H Other Reserve Reserve		100.00
I Other Reserve Reserve		100.00
J Other Reserve Reserve		100.00
K Other Reserve Reserve		100.00
L Other Reserve Reserve		100.00
M Other Reserve Reserve		100.00
N Other Reserve Reserve		100.00
O Other Reserve Reserve		100.00
P Other Reserve Reserve		100.00
Q Other Reserve Reserve		100.00
R Other Reserve Reserve		100.00
S Other Reserve Reserve		100.00
T Other Reserve Reserve		100.00
U Other Reserve Reserve		100.00
V Other Reserve Reserve		100.00
W Other Reserve Reserve		100.00
X Other Reserve Reserve		100.00
Y Other Reserve Reserve		100.00
Z Other Reserve Reserve		100.00
Total Tier 1 Capital		20,000.00

Tier 2 capital and a breakdown of its components		NBS in Millions
Particulars		
A Capital Reserve Reserve		1,000.00
B Capital Reserve Reserve		1,000.00
C Capital Reserve Reserve		1,000.00
D Capital Reserve Reserve		1,000.00
E Capital Reserve Reserve		1,000.00
F Capital Reserve Reserve		1,000.00
G Capital Reserve Reserve		1,000.00
H Capital Reserve Reserve		1,000.00
I Capital Reserve Reserve		1,000.00
J Capital Reserve Reserve		1,000.00
K Capital Reserve Reserve		1,000.00
L Capital Reserve Reserve		1,000.00
M Capital Reserve Reserve		1,000.00
N Capital Reserve Reserve		1,000.00
O Capital Reserve Reserve		1,000.00
P Capital Reserve Reserve		1,000.00
Q Capital Reserve Reserve		1,000.00
R Capital Reserve Reserve		1,000.00
S Capital Reserve Reserve		1,000.00
T Capital Reserve Reserve		1,000.00
U Capital Reserve Reserve		1,000.00
V Capital Reserve Reserve		1,000.00
W Capital Reserve Reserve		1,000.00
X Capital Reserve Reserve		1,000.00
Y Capital Reserve Reserve		1,000.00
Z Capital Reserve Reserve		1,000.00
Total Tier 2 Capital		2,000.00

2. Information about Subordinated Term Debt
 The Bank has 10.25% Markingschiffen Debentures 2007 amounting NBS 2,000.00 M and 5.5% Markingschiffen Debentures 2007 amounting NBS 2,250.00 M. The details of same is as follows

Particulars	Details
Amount of issue	NBS 2,000.00 M
Interest rate	10.25% per annum
Frequency of payments	Quarterly
Term (Year)	5
Issue Date	01/01/2007
Maturity Period	01/01/2012
Maturity Date	01/01/2012
Amount payable to be included in capital fund	NBS 2,000.00 M

Particulars	Details
Amount of issue	NBS 2,250.00 M
Interest rate	5.5% per annum
Frequency of payments	Quarterly
Term (Year)	5
Issue Date	01/01/2007
Maturity Period	01/01/2012
Maturity Date	01/01/2012
Amount payable to be included in capital fund	NBS 2,250.00 M

3. Deductions from capital

Particulars	NBS in Millions
A Deductions from capital	100.00
B Deductions from capital	100.00
C Deductions from capital	100.00
D Deductions from capital	100.00
E Deductions from capital	100.00
F Deductions from capital	100.00
G Deductions from capital	100.00
H Deductions from capital	100.00
I Deductions from capital	100.00
J Deductions from capital	100.00
K Deductions from capital	100.00
L Deductions from capital	100.00
M Deductions from capital	100.00
N Deductions from capital	100.00
O Deductions from capital	100.00
P Deductions from capital	100.00
Q Deductions from capital	100.00
R Deductions from capital	100.00
S Deductions from capital	100.00
T Deductions from capital	100.00
U Deductions from capital	100.00
V Deductions from capital	100.00
W Deductions from capital	100.00
X Deductions from capital	100.00
Y Deductions from capital	100.00
Z Deductions from capital	100.00
Total Deductions from capital	1,000.00

Investment in equity instruments with financial interest in fully equity instrument in Markingschiffen Capital Limited, subsidiary company of bank amounting NBS 100.00 M. Markingschiffen Securities Limited, subsidiary company of bank amounting NBS 100.00 M. Other Deductions from investment in PFCV Fund (Financial Equity Fund) amounting NBS 100.00 M.

4. Total qualifying capital

		NRs. (in Millions)
	Particulars	Amount
a	Class Capital (Tier 1)	15,638.82
b	Noncumulative Capital (Tier 2)	8,934.27
	Total Capital Fund	22,573.09

5. Capital adequacy ratio

12.68%

6. Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

RISK-WEIGHTED EXPENSES		N/A (to \$100k)
1	Risk-Weighted Expenses for Credit Risk	\$100,000.00
2	Risk-Weighted Expenses for Operational Risk	\$,562.50
3	Risk-Weighted Expenses for Market Risk	\$,739.00
	Adjustment as per SRP 6.4a (6)	0.00
	Adjustment as per SRP 6.4a (7)	\$,800.17
	Adjustment as per SRP 6.4a (9)	\$,118.94
	Total Risk-Weighted Expenses	\$17,666.42

7. Risk Weighted Exposures under each categories of Credit Risk

[illegible]

8. Total risk weighted exposure calculation table

NRI (in Millions)		
S.N.	Particulars	Amount
1	Total Risk Weighted Exposure	177,640.27
2	Total Core Capital Fund (Tier 1)	15,638.42
3	Total Capital Fund (Tier 1 & Tier 2)	20,637.60
4	Total Core Capital to Total Risk Weighted Exposure	8.80%
5	Total Capital to Total Risk Weighted Exposure	11.68%

9. Amount of NPAs (Both Gross and Net)

NPS (in Millions)			
S.N.	Loan Classification	Gross Amount	Provision Not Amount
1	Recurrent Loan	51.12	44.73
2	Subsidiary Loan	2,075.36	514.73
3	Debtful Loan	1,874.00	932.66
4	Loan Loan	2,715.51	2,608.00
	Total	6,716.23	4,141.30

10. NPA Ratios

Gross NPA to Gross Loans and Advances	4.55%
Net NPA to Net Loans and Advances	1.84%

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S.N.	Loan Classification	This Quarter	Previous Quarter	Change(%)
1	Recessional Loan	51.12	0.00	
2	Sub-standard Loan	2975.36	2600.00	
3	Overhead Loan	1874.00	1384.75	
4	Loan Loss	7215.34	2760.00	
		6215.35	4339.00	6.00%

NPA increased (in million)	385.62
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13 Write off of loans & interest

S.N.	Particulars	NRs (Rs. Millions)
1	Write Off of Loans	173.68
2	Write Off of Investment	107.14
	Total	280.78

13. Movement in Loan loss provisions and interest expense

S.N.	Particulars	This quarter	Previous Quarter	Change (%)
1	Loan Loss provision	6,176.96	4,645.77	9.43%
2	Interest Suspense	605.08	506.05	19.56%

14. Details of additional Loan Loss Provision

S/N	Loan Loss provisions	This quarter	Previous Quarter	Change
1	Gen. loan	1,232.49	1,220.76	56.42
2	Wakilati	562.09	776.68	-116.67
3	Restructured Loan	6.70	0.00	6.70
2	Subordinated Loan	514.13	664.70	-150.56
4	Debtful Loan	932.60	682.90	249.70
5	Total	2,408.01	2,745.04	-337.03
		6,176.95	5,646.87	530.08

15. Segregation of investment portfolio

Particulars		Rs. (in Millions)
S.N.		Gross Amount
1	Investment securities	\$1,059.64
	T-bills	155.77
	Development Bond	31,187.55
	Revenue Bonds	0.00
	Autobond Bond	0.12
	Schools Fund Bond	0.78
	Placement	7,326.66
2	Investment in equity	1,871.47
3	Investment in subsidiaries	400.00

16. Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities

The bank follows Internal Capital Adequacy Assessment Process (ICAAP) and Risk Management Guideline while taking decision on any business. It has always taken note of ICAAP and has taken steps accordingly in ensuring soundness of capital position and sustainability of the business. The bank's policies and procedures are approved by the Board of Directors and these documents provide guidance on independent identification, measurement and management of risks across various businesses.

Bank needs to manage Credit, Operational, Market, Liquidity and other risks inherent in bank. Board of the bank is primarily responsible for setting out the risk policies, risk strategies, risk appetite, risk tolerance, risk mitigation etc. Such risks are communicated by the Board down the line for effective and timely implementation adherence. Board of the bank monitors and evaluates the risk on a regular interval and instructs RMC and other related departments, who is responsible for risk management of the bank through CEO/CRO for effective implementation. Bank's different risk related functional structure like Risk Management Committee, Operational Risk Management, Market Risk Management review the business and risks periodically and take account of stress test results, scenario analysis so as to align risk, return and capital in sustainable manner.

Summary of terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including

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Participants	Income
China	0.5% (Middle-class, No Urban Dwellers); 20% ¹
Amount of Income	\$600; 2,753,498,000
Interest Rate	0.5% per annum (payable semi-annually)
Numbers of Debtors	2,745,494,000
Each Value	\$600; 400,000
Income Date	2070/000/24
Maturity Period	10 Years
Maturity Date	2080/000/24
Leasing	Linked with Marginal Stock Exchange

¹ For the time of liquidation, priority of payment to the debtors holds before the time of liquidation but after the depositary and secured creditors.